

- TECHNICAL ADVISORY COMMITTEE
- SAN JOAQUIN HILLS COMMITTEE
- FOOTHILL/EASTERN COMMITTEE
- JOINT ADMINISTRATION COMMITTEE
- LEGAL & LEGISLATIVE COMMITTEE
- SAN JOAQUIN HILLS BOARD OF DIRECTORS
- FOOTHILL/EASTERN BOARD OF DIRECTORS

Report No. 11  
File No. 2014F-018

**BOARD MEETING DATE:** June 12, 2014

**SUBJECT:** Foothill/Eastern Transportation Corridor Agency Fiscal Year 2015 Annual Budget

**STAFF RECOMMENDATION:**

Approve Resolution No. F2014-04 entitled "A Resolution of the Board of Directors of the Foothill/Eastern Transportation Corridor Agency Approving the Budget for Fiscal Year 2015" in the amount of \$196,612,751.

**COST:** F/E = \$196,612,751  
SJH =N/A

**REPORT WRITTEN BY:** Amy Potter, Chief Financial Officer  
949-754-3498

**REVIEWED BY:**

Engineering/Environmental  
Communications/Public Affairs  
Finance  
Toll Operations

TD  
J  
AP  
JTG.

RESOLUTION NO. F2014-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY  
APPROVING THE BUDGET FOR FISCAL YEAR 2015

On motion of Board Member Spitzer, the following Resolution was adopted.

WHEREAS, Section VI, paragraph 6.1 of the Second Amended and Restated Joint Exercise of Powers Agreement creating the Foothill/Eastern Transportation Corridor Agency (the "JPA"), requires the adoption upon the approval of not less than two-thirds (2/3) of the Board Members, an annual budget for the ensuing fiscal year, pursuant to procedures developed by the Board; and

WHEREAS, Section VI, paragraph 6.3 of the JPA requires all funds to be placed in object accounts and the receipt, transfer or disbursement of such funds during the term of the JPA shall be accounted for in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governmental entities and all revenues and expenditures must be reported to the Board; and,

WHEREAS, Section VI, paragraph 6.4 of the JPA states that all expenditures within the designations and limitations of the approved annual budget shall be made upon the approval of the Chief Executive Officer in accordance with the rules, policies and procedures adopted by the Board; and,

WHEREAS, Section VI, paragraph 6.4 of the JPA further states that no expenditures in excess of those budgeted shall be made without the approval of not less than two-thirds (2/3) of the Board Members to a revised and amended budget which may, from time to time, be submitted to the Board; and,

WHEREAS, Article VI, paragraph 6.5 of the Administrative Code of the Agency adopted on January 10, 1991, requires that all expenditures for travel, conference and business-related activities, and reimbursement of Board Members and Agency employees for such expenditures be governed by the Board adopted Travel, Conference and Business Expense Policy;

NOW, THEREFORE the Board of the Foothill/Eastern Transportation Corridor Agency does resolve, declare, determine and order as follows:

1. Approves the annual budget for FY 2015 (FY15) in the amount of \$196,612,751. The approval includes Administration, Planning, Environmental and Construction, Toll Operations expense and Equipment, Debt expenses, the proposed staffing plan as described in the budget, and projected Revenues, including without limitation the adoption of the "proposed" toll rates, fees, and fines, as presented at the Board meeting on June 12, 2014.
2. Authorizes the Chief Executive Officer to reallocate within budget categories as long as the Budget for the following categories does not exceed the amount stated:

• Administration	\$17,253,730
• Tesoro Extension and SR 241 Long Range Planning (excluding related administration)	\$25,121,404
• Capital Improvement Plan	\$3,809,192
• Other Planning, Environmental and Construction	\$12,881,221
• Toll Operations	\$15,777,392
• Debt Service	\$121,769,812

and subject to controls in place under the 1995 and 2013 Indentures of Trust, the Board approved Contracts and Procurement Manual, Investment Policy, Staffing and Compensation Plan, and finally the Agency's enabling legislation.

3. Resolves to carry forward the project description from the current 2012 Regional Transportation Improvement Program/2013 Federal Transportation Improvement Program (RTIP) and 2050 Regional Transportation Plan (RTP), and to include the updated schedule and project budget approved by this resolution in subsequent RTIP and RTP updates, for the San Diego Association of Governments (SANDAG) region, including the 2014 RTIP and 2015 RTP updates.
4. Resolves to carry forward the project description from the current 2013 Regional/Federal Transportation Improvement Program (FTIP) and 2012-2035 Regional Transportation Plan, and to include the updated schedule and project budget approved by this resolution, in subsequent RTIP and RTP updates, for the Southern California Association of Governments (SCAG) region, including the 2015 FTIP and 2016 RTP updates.
5. Directs staff to forward the approved Annual Budget for FY15 to the trustee.

This Resolution No. F2014-04, shall become effective immediately upon adoption.

Adopted this 12th day of June, 2014, by the Board of Directors of the Foothill/Eastern Transportation Corridor Agency.

A handwritten signature in black ink, appearing to read "Lisa Bartlett", written over a horizontal line.

**Lisa Bartlett, Chairwoman**  
Foothill/Eastern Transportation Corridor Agency

RESOLUTION NO. F2014-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY  
APPROVING THE BUDGET FOR FISCAL YEAR 2015

ATTEST:

I, Kathleen Loch, Clerk of the Board of the Foothill/Eastern Transportation Corridor Agency hereby certify that the foregoing Resolution No. F2014-04 was duly adopted on June 12, 2014, by the Board of Directors of the Foothill/Eastern Transportation Corridor Agency by the following vote:

Yes: Chairwoman Bartlett, Directors Bates, Taylor, Evert, Beall, Eastman, Martinez, Nelson, Puckett, Reardon, Shea, Spitzer, Young

No: None

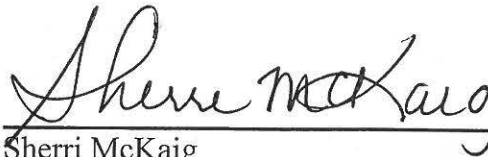
Absent: Murphy, Voigts

Abstain: None



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Kathleen Loch  
Clerk of the Board  
Foothill/Eastern Transportation Corridor Agency



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Sherri McKaig  
Assistant Secretary to the Board  
Foothill/Eastern Transportation Corridor Agency



## **Transportation Corridor Agencies**

Dear Chairwoman Bartlett and Board Members:

### **Re: Foothill/Eastern Transportation Corridor Agency's Fiscal Year 2015 budget**

We are pleased to present you with the Foothill/Eastern Transportation Corridor Agency's (F/ETCA) Fiscal Year 2015 (FY15) budget. Thank you for the direction and support you provided during this year's annual budget process.

The proposed budget for FY15 is \$196.6 million. Compared to FY14's amended budget of \$201.8 million, the FY15 budget shows a net decrease of \$5.2 million or 2.6 percent. The decrease in the FY15 budget is a result of the agency's conversion to all-electronic toll collection and the 2013 refinancing transaction which lowered debt payments in FY15.

Due to an improving economy in FY14, transactions and revenue are up approximately three percent and seven percent, respectively, over FY13. The FY15 budget assumes transactional toll revenue of \$123.1 million, a 2.8 percent increase over projected FY14 transactional toll revenue.

The FY15 budget was developed with the agency's continued commitment to fiscal responsibility, cost containment and overarching goals of:

- Completing the conversion to all-electronic tolling and the migration of cash customers to an electronic account
- Increasing toll transactions and revenue through the creative acquisition of new customers and increasing usage by existing customers
- Focusing on positive customer service
- Expanding the system to serve drivers and improve regional mobility
- Continuing our commitment to sustainability initiatives that benefit the environment.

We head into FY15 energized by the historic year that FY14 was for the F/ETCA. In December, we successfully refinanced \$2.3 billion in outstanding debt originally issued in 1999. The deal attracted national attention as one of the largest fixed-rate municipal transactions of 2013 and will save the agency \$975 million over the course of the next 26 years.

While the refinancing extends F/ETCA debt from 2040 to 2053, it lowers the annual debt payment escalation rate and reduces the maximum annual debt payment. This

*Michael A. Kraman, Acting Chief Executive Officer*

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Members: Aliso Viejo • Anaheim • Costa Mesa • County of Orange • Dana Point • Irvine • Laguna Hills • Laguna Niguel • Laguna Woods • Lake Forest  
Mission Viejo • Newport Beach • Orange • Rancho Santa Margarita • Santa Ana • San Clemente • San Juan Capistrano • Tustin • Yorba Linda

action improves the agency's credit rating stability and provides financial flexibility for the future. The FY15 budget meets the debt service coverage ratio requirements as outlined in our bond indentures.

FasTrak® turned 20 years old in October. FasTrak was launched by the Transportation Corridor Agencies (TCA) for use on the first 3.2-mile portion of the 241 Toll Road. FasTrak -- California's first and only electronic toll collection system -- is now used by five different tolling agencies and more than 3.2 million drivers throughout the state on every tolled bridge, lane and road. TCA alone currently has more than 800,000 transponders in circulation belonging to more than 455,000 FasTrak accounts.

As part of the birthday festivities, TCA honored Trabuco Canyon resident Brian Clifton, who has the distinction of being the first FasTrak customer. Clifton, a retired Irvine police officer, opened the very first FasTrak account in August 1993, two months before the road was opened and he continues to drive The Toll Roads on a daily basis.

In January, we welcomed our first ExpressAccount™ customer when we introduced three new ExpressAccount types. With the new, transponder-free ExpressAccounts, images of a vehicle's license plates are taken on The Toll Roads, linked to an account and the appropriate toll is either collected from a prepaid balance, charged directly to the driver's credit card or added to their monthly invoice. In less than five months, more than 27,000 ExpressAccounts have been opened.

At the same time, we introduced a payment option designed for infrequent toll road drivers and visitors. "One-Time-Toll" allows out-of-town guests and tourists to use The Toll Roads without establishing a FasTrak or ExpressAccount. These customers may use The Toll Roads at their convenience and pay their tolls within 48 hours after driving the roads via our website or free app. One-Time-Toll has been used more than 123,000 times.

The introduction of these new ways to pay was in preparation for our conversion to all-electronic toll collection. On May 14 at 12:01 a.m., we ceased cash toll collection on our roadways -- making travel faster and more convenient for the more than 250,000 commuters who choose The Toll Roads every weekday. The removal of cash tolls is a trend throughout the tolling industry and we surveyed our cash customers to develop new electronic payment options that will work for them.

The combined capital improvement cost for converting to all-electronic toll collection was approximately \$17 million for both the Foothill/Eastern and San Joaquin Hills Agencies. That is \$2 million less than the estimated capital improvement cost that would have been necessary to upgrade the aging toll collection system equipment. In addition to the \$2 million savings in capital upgrades, the combined agency estimated annual net operating costs will decrease by an average of \$3.9 million compared to the annual operating cost in the past. Future equipment improvements will also result in substantial savings since we will need to maintain far fewer lanes and will no longer need to maintain and replace costly cash collection machines.

Throughout the year, we've been working to secure the federal environmental documents and permits required to move forward with the State Route 241 Tesoro Extension Project. At your direction, the F/ETCA filed a petition with the State Water Resources Control Board appealing the San Diego Regional Water Quality Control Board's decision to deny the waste discharge requirement permit for the State Route 241 Tesoro Extension on July 19. We continue to await the findings of the state's review.

To clarify the agency's focus on the 5.5-mile State Route 241 Tesoro Extension Project, the F/ETCA -- in coordination with the Federal Highway Administration (FHWA) -- recently announced the rescission of two Notices of Intent (NOI) to prepare an Environmental Impact Statement under the National Environmental Policy Act for the State Route 241 South Orange County Transportation Infrastructure Improvement Project (SOCTIIP).

Rescinding the NOIs informs the public that the 241 Toll Road alignment south of Cow Camp Road is unknown. Any future project beyond the Tesoro Extension would undergo a new environmental and permitting process.

On the existing 241 Toll Road, a Wildlife Safety Fence Improvement Project will soon get underway and will be constructed in stages along the road, from the 91 freeway to the 261 Toll Road. The project will help reduce the number of vehicle-animal collisions on the roadway. It comes as a result of on-going monitoring and study of wildlife movements that was a requirement of the biological opinion obtained from the U.S. Fish and Wildlife Service in connection with construction of State Route 241.

Closer to the roadway than the existing fence, the new fence will be buried 24 inches into the ground, be 10 to 12 feet high and have an additional 18 inches of outrigger at the top angled away from the roadway. The fence will guide animals to the existing wildlife crossings below the roadway and better prevent animals from accidentally getting on the roadway.

We also continue to work with the Orange County Transportation Authority (OCTA) and the Riverside County Transportation Commission (RCTC) to plan a direct connector from the 241 Toll Road into the 91 Express Lanes. The tolled, median-to-median connector will travel north-to-east and west-to-south between the 241 Toll Road and the 91 Express Lanes in Anaheim, California.

During FY14 we repeated successful marketing campaigns and promotions from the past and implemented some fresh ideas. Most memorable, we welcomed Layne to our team. Layne is the official Toll Roads spokesperson and she's on a mission to let SoCal drivers know that The Toll Roads are better alternatives than sitting in congested freeway traffic. The public has responded well to Layne and in recent focus groups she received validation from the participants.



Also new for FY14 and set to continue in FY15 is our partnership with Albertsons. Customers can open a new FasTrak account and get a transponder at participating Albertsons Orange County stores for \$36. Once the transponder is activated on [thetollroads.com](http://thetollroads.com), \$40 in prepaid tolls will be automatically credited to the account. This retail store partnership is similar to one we have had with Costco for several years.

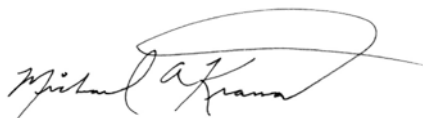
Encouraging cash customers to convert to electronic toll collection, we ran a number of promotions enticing them to make the switch to FasTrak or a new ExpressAccount before cash toll collection ended. We first offered \$30 in free tolls to be credited to new accounts and then the following month, we ran a "Drive a Week Free" promotion.

To keep the public abreast of our promotions and other news, we launched [TheTollRoadsBlog.com](http://TheTollRoadsBlog.com) and continued to be active on the major social media platforms. We released an update for our free mobile app, which has now been downloaded more than 112,000 times. The app update allows customers to open new accounts, manage existing accounts and pay a One-Time-Toll with ease and convenience from a mobile device.

Even with all of the abovementioned projects, initiatives, challenges and accomplishments, for the first three quarters of FY14 we are tracking well within the FY14 budget. We budget tightly, monitor and continue to look for ways to contain costs and do things more efficiently. As Orange County continues to climb out of the great recession, our ridership and revenue continue to climb as well.

If you have any questions about the contents of this letter or the accompanying budget package, please feel free to contact CFO Amy Potter (949-754-3498) or me.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael A. Kraman". The signature is fluid and cursive, with a large loop at the end.

Michael A. Kraman  
Acting Chief Executive Officer

**FOOTHILL/EASTERN  
TRANSPORTATION CORRIDOR AGENCY**

**The Toll Roads<sup>®</sup>**  
**Stop sitting. Get moving.**

**Fiscal Year 2015 Proposed Budget**

**Foothill/Eastern  
Transportation Corridor Agency**

**Budget Process and Format**

**Fiscal Year 2015 Proposed Budget**

## **Budget Process**

The Foothill/Eastern Transportation Corridor Agency's (F/ETCA) Board of Directors and the Master Indentures of Trust (Indentures), established in the context of the agency's 2013 and 1995 bond issuances, provide the financial parameters for the agency in the development of the budget. The indentures provide the scheduled future debt service payments and the required debt service coverage ratio that must be obtained each fiscal year and establish financial constraints, which may impact the agency's ability to undertake additional projects.

At the beginning of the process, the executive team set the objectives for FY15 while considering both near-term and long-term agency goals and direction from the Board of Directors. Department managers reviewed the status of projects for the current year and developed project initiatives for the next fiscal year with the agency's goals and objectives in mind. The finance staff worked jointly with each department to compile budget expenditure requests. After all project initiatives and budget requests were reviewed by executive management, the proposed annual budget was presented to the F/ETCA Board of Directors at a workshop to obtain direction and feedback. This year, the workshop was held in April and included a detailed review of both revenues and expenditures. The agency's traffic and revenue consultant attended the meeting and presented an overview of the agency's toll revenue history, toll rate elasticity, how current economic trends may affect toll transactions, and proposed toll rate options for FY15. In May, an additional budget workshop was held for the Board of Directors to address questions and concerns from the April workshop. Any changes and questions received during the workshop were then addressed. The annual budget is now being presented to the Board of Directors for adoption at the June board meeting for the fiscal year starting July 2015. Approval of the budget requires the consent of at least two-thirds of the Board Members. Expenditures during the year must be made in accordance with the agency's policies. Expenditures in excess of the total of each budget category, as defined in the budget resolution, cannot be made without the approval of a budget resolution by at least two-thirds of the Board Members. The agency is required to file copies of the annual budget with the trustee on or before the 20th day of July each fiscal year in accordance with the Indentures.

All budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. The Chief Executive Officer (CEO) has the authority to make budget transfers within each of the following six categories as long as the total budget amount per category is maintained and the expenditures are made within board approved policies:

- Administration
- Tesoro Extension and SR 241 Long Range Planning (excluding related administration)
- Capital Improvement Plan
- Other Planning, Environmental and Construction
- Toll Operations
- Debt Service

Transfers within each category are subject to the controls in place under the bond indentures, the contracts and procurement manual, the investment policy, the staffing and compensation plan and enabling legislation. Transfers within a category are often for accounting purposes and given the budget includes estimates, transfers within a category allow department managers to manage within their department thereby increasing efficiencies. CEO transfers within each budget category are reported to the Board of Directors on a quarterly basis.

Transfers between categories require the Board of Directors' approval.

These budget categories are presented on page 25 and 26 along with detail subcategories that fall within each of these categories. Budget categories and subcategories are discussed in the Uses Summary section beginning on page 17. All budget appropriations lapse at year-end and any amounts not accrued at each year-end must be re-appropriated in the next fiscal year.

### **Budget Format**

The FY15 proposed Uses budget for the F/ETCA totals \$196.6 million. The agency has one enterprise fund that records all activity on the accrual basis of accounting. The agency establishes a budget for this one fund including Planning, Environmental and Construction, Debt Service, and Toll Operating Expenses and Equipment (Toll Operations). Expenses directly related to the F/ETCA are charged entirely to the agency and those incurred on behalf of both the agency and the San Joaquin Hills Transportation Corridor Agency (SJHTCA) are allocated between the two agencies based on the estimated benefit to each. Within each agency, for funding purposes and calculation of debt coverage, costs are further allocated between Planning, Environmental and Construction, and Toll Operations, based on the estimated benefit to each activity. The following discussion presents a broad description of the type of activities included in the three budget fund categories. These three fund categories are represented as separate columns on page 25 and 26 to illustrate how each budget category and subcategory is allocated between the budget fund categories. A more detailed discussion of the expenditures proposed for FY15 is included in the Sources and Uses section of this document.

#### Toll Operations (budget fund category)

The Toll Operations budget includes funding for the toll operations activities including operating administration costs. The proposed FY15 Toll Operations budget is \$23.1 million.

The primary sources of funds available for Toll Operations are toll revenues, violation and account maintenance fees, and interest income from Toll Operations related accounts. Previously collected development impact fees are also available for funding operations equipment and capital purchases.

Amounts allocated to Toll Operations are costs associated with maintaining and operating the toll equipment, software and systems as well as the customer service centers, toll collection processing, and all other related monthly operating expenses. The major costs budgeted for Toll Operations' activities include the TransCore LP (TransCore) contract costs associated with the operation and maintenance of the agency's toll systems lane hardware and software; and customer service and toll compliance services under contract with 3M which include the operation of the customer service center and toll processing, review and processing of vehicle plate images, and violation collection processing services. Also included in Toll Operations are toll equipment purchases such as transponders, system software, and in-lane toll and violation processing equipment. In addition, a portion of agency administration costs allocated to operation activities including insurance, salaries and benefits, consulting, legal, office expense and marketing are included in this fund category.

Many Administration expenditures are allocated between the agency and SJHTCA, and then within each agency allocated between the Toll Operations and the Planning, Environmental, and Construction fund categories.

#### Planning, Environmental, and Construction Expenses (budget fund category)

The budget for Planning, Environmental, and Construction includes construction, capital improvement plan projects, ongoing environmental mitigation and other environmental services, such as slope maintenance and special studies, and all non-operating administration costs. These expenses are recorded in the agency's financial statements as an addition to construction in progress, when appropriate, until the roads are transferred to Caltrans, as required. It is at the point of transfer to Caltrans that the costs of the project are then expensed on the financial statements as a contribution to Caltrans. To date, 36 miles of the F/ETCA toll system have been transferred to Caltrans. The costs associated with such projects are budgeted in the year the disbursement is made, not when the project is transferred to Caltrans. The proposed budget for these activities and projects in FY15 totals \$51.7 million.

Planning, Environmental and Construction Administration costs are defined as office, personnel, legal, consulting, and other customary and normal expenditures associated with the direct management and administration of the agency's planning, environmental and construction related activities, including the development impact fee program, and are allocated as discussed above.

The primary sources of funds for Planning, Environmental and Construction Expenses are cash on hand from previous development impact fee collections and agency directed surplus revenues. Agency directed surplus revenues are toll, fee and penalty revenues in excess of amounts needed for operating expenses, debt service payments and funding the indenture required reserves in the year the revenue is collected. The debt service reserve fund requirements totaling \$220.8 million have been fully met. Agency directed surplus revenues are not under bond Indenture requirements (see description of bonds in the Debt Service section below) and may be spent at the Board of Directors' discretion for any lawful purpose. Each year, \$5 million of development impact fees received by the

agency is available to fund expenditures or increase the agency directed surplus revenue fund; the balance of development impact fees collected during the year are also made available for the same purpose if they are not needed to fund debt service payments. Other sources of funds for these activities include investment earnings and grant funds awarded to the agency.

#### Debt Service (budget fund category)

Debt Service includes principal payments and accrued interest related to long-term debt. A portion of the outstanding bonds are capital appreciation bonds and convertible capital appreciation bonds, which are structured so that the principal amount accretes (increases) each year at the stated interest rate. Accretion can be simply described as deferred interest that is added to the bonds' principal balance and is recorded as interest expense and an increase to debt on the financial statements. Debt accretion has been excluded from the budget because it is a non-cash item and is reflected in the budget as part of the principal payments in the years scheduled to be paid. The proposed FY15 budget for Debt Service is \$121.8 million.

In 1995 the agency issued \$1.3 billion in long-term toll revenue bonds to finance construction of the Foothill/Eastern Transportation Corridors (State Routes 241, 261 and 133). During August 1999, the agency issued fixed rate, tax-exempt toll road refunding revenue bonds in the aggregate amount of \$1.6 billion to advance refund all but \$180 million of the 1995 issuance of long-term toll road revenue bonds.

Tax-exempt toll road refunding revenue bonds in the aggregate amount of \$2.3 billion were then sold on December 12, 2013 (2013 Bonds) to refinance the 1999 bonds and the refinance transaction closed on January 2, 2014. These bonds refinanced the debt to 2053 and provided the following benefits to the agency:

- Maintained current investment grade ratings from Fitch and S&P and positioned for a future upgrade to an investment grade rating from Moody's
- Improved near-term excess cash flow
- Created increased margin to withstand future economic downturns
- Provided greater latitude in managing toll rates to reflect economic conditions, traffic patterns and toll elasticity
- Eliminated the need to use the Escrow Defeasance Fund to meet bond coverage covenants
- Established a lower debt payment growth rate (from 4.20% to 3.75%)
- Lowered the peak debt payment and established the ability to either pay down debt early or fund major projects

The 2013 Bonds, which pay interest semi-annually, are to be repaid primarily from toll revenues. The bonds are due and payable on dates ranging from July 15, 2014 to January 15, 2053. The interest on the remaining 1995 bonds is due semi-annually. 1995 bond interest payments are fully funded by capitalized interest through January 1, 2032 that was established at the time of the 1999 refunding. The remaining principal balance of 1995 bonds is due and payable in FY's 2033-2035.

Per the Indentures, the agency's Adjusted Net Toll Revenue (toll related revenues plus interest income on certain accounts, less operating expenses) must be at least 115% of the current year's aggregate net debt payments (debt service scheduled for the fiscal year less capitalized interest) and at least 130% of the current year's senior lien net debt payments. This is often referred to as 1.15x and 1.30x debt service coverage, respectively.

When compiling the operations budget, the agency staff ensures that the revenues and expenses budgeted provide the necessary coverage ratio as defined in the Indentures. The attached proposed Sources and Uses budgets for debt service and operating expenses result in an aggregate coverage ratio of 1.22x and a senior lien coverage ratio of 1.41x. A schedule showing the calculation is included on page 38 of this document.



**Foothill/Eastern  
Transportation Corridor Agency**

**Sources**

**and**

**Uses**

**Fiscal Year 2015 Proposed Budget**

## Sources and Uses

The Sources and Uses of Funds Statement summarizes the agency's projected total sources and uses for the year ending June 30, 2015.

Total sources include revenues budgeted in FY15 as well as cash on hand from development impact fees and surplus revenues collected and available to the agency from previous years, capitalized interest funds for 1995 and 2013 bond payments and amounts in the 2013 debt service accounts.

Below is a summary of total funds on hand and the amount of these funds available to fund the FY15 budget as well as future budgets (in thousands).

Estimated Total Funds on Hand at 6/30/14	\$ 583,044
July Activity Related to FY 14	<u>(70,119)</u>
Adjusted Estimated Total Funds on Hand at 6/30/14	512,925
Less Operating Reserves	(17,966)
Less Debt Service Reserves	<u>(220,762)</u>
Estimated Cash Available to Fund Current and Future Budgets	<u>\$ 274,197</u>
Cash on Hand Restricted For Debt Service (Current and Future)	\$ 133,545
All Other Cash Available to Fund Current and Future Budgets	<u>140,652</u>
Estimated Cash Available to Fund Current and Future Budgets	<u>\$ 274,197</u>

Total uses include all budgeted expenses requiring a cash outlay.

The Sources and Uses of Funds Statement show sources less cash uses to arrive at cash available to fund subsequent budgets.

The following statement includes the approved FY14 budget, as amended, including transfers within the CEO's authority, staff projected FY14 sources and uses based on actuals through March 2014 and the proposed budget for FY15.

**Foothill/Eastern Transportation Corridor Agency**  
**Sources and Uses of Funds Statement**  
**Fiscal Years 2014 through 2015**  
**(\$000)**

Description	FY 2014 Amended Budget As of 3/31/14	FY 2014 Estimated Actuals	FY 2015 Proposed Budget
<b>Sources:</b>			
Net Toll Revenue	112,133	115,289	118,132
Fees and Penalties	20,100	22,850	23,300
Development Impact Fees	10,600	16,850	13,407
Interest Earnings	10,744	9,070	4,716
Grants	72	14	-
Other Revenue	361	361	386
Cash on Hand Restricted For Debt Service	156,003	156,003	133,545
All Other Cash Available to Fund Current and Future Budgets	134,289	134,289	140,652
<b>Total Sources of Funds</b>	<b>444,302</b>	<b>454,726</b>	<b>434,138</b>
<b>Cash Uses:</b>			
Planning, Environmental and Construction	33,094	15,299	41,812
Planning, Environmental and Construction Administration	10,447	7,583	9,914
Toll Operating Administration	6,507	6,221	7,340
Toll Customer Service and Toll Compliance	8,638	8,626	10,526
Toll Systems	3,314	3,188	1,749
Toll Collections	2,334	2,244	-
Toll Facilities	1,009	1,009	1,073
Operations Equipment	2,039	1,950	2,429
Debt Service	134,409	134,409	121,770
<b>Total Cash Uses</b>	<b>201,791</b>	<b>180,529</b>	<b>196,613</b>
Projected Cash Available to Fund Subsequent Budgets	242,511	274,197	237,525
Less Restricted Cash For Future Debt Service	133,545	133,545	112,572
<b>Projected Available Cash</b>	<b>108,966</b>	<b>140,652</b>	<b>124,953</b>
<b>Total Budget</b>	<b>201,791</b>	<b>180,529</b>	<b>196,613</b>

## Sources Summary

Over the past several years the economy has presented financial challenges with respect to transactions and toll revenue, however due to the improving economy in FY14 transactions and revenue are expected to be up approximately 3% and 7%, respectively, over FY13. Given the transition to All Electronic Tolling (AET), the agency will be closely monitoring the impacts to revenue and taking appropriate actions, if necessary. Regardless, it will be important to continue to take measures to ensure that revenue growth is maintained in FY15. The agency needs to continue to plan for the future and adjust rates and increase ridership in order to achieve revenues at a level that supports the agency's debt obligations.

The agency has also focused on customer incentives and promotions to maintain and build transactions and revenues. Given the purpose of promotions is to increase revenue, tolls used as incentives for promotions will be recorded as an offset to revenue in accordance with accounting principles and the bond indentures. Promotions will be analyzed and presented to the Board of Directors for approval on an ongoing basis and as such have not been budgeted.

During the April 23 and May 15, 2013 budget workshops, staff presented the Board with recommended options for toll rates that have been developed by the agency's traffic and revenue consultant, Stantec Consulting Services Incorporated (Stantec). The FY15 budget for sources of funds is based on the feedback received from the Board during these workshops related to the toll rate options presented (see Net Toll Revenue section below).

At the beginning of FY15, the agency expects to have total cash adjusted for accrual items of \$512.9 million. The expected adjusted cash balance includes debt service reserve and operating reserve funds of \$238.7 million and \$274.2 million of cash on-hand available to fund the current and future years' budgets. These available funds are primarily from development impact fees, surplus revenues, capitalized interest, and interest earnings. During FY15, Net Toll Revenue, Fees and Penalties, Development Impact Fees, Interest Earnings, and Other Revenue are budgeted at \$159.9 million. Below are brief explanations of each of these funding sources.

### Net Toll Revenue

The budget for FY15 Net Toll Revenue of \$118.1 million, or 73.9% of total revenue, is a combination of the agency's estimate of transactional toll revenue reduced by estimated violations and unprocessable and non-revenue transactions. The FY15 budget assumes transactional toll revenue of \$123.1 million which represents a 2.8% increase over projected FY14 transactional toll revenue.

The proposed 2.8% increase is achieved by implementing a 2% FasTrak toll rate increase while implementing a rate structure whereby all non-FasTrak tolls are \$1.00 higher than the FasTrak rate. Total transactions as a result of toll rate increases are expected to result in transaction growth of 0.3% based on a study analyzing the impact of various toll rate

options performed by Stantec. The growth rate assumes continued economic improvement and an increase in traffic congestion on routes parallel to the toll roads thereby increasing the value of time savings obtained by choosing the toll road option. The table below shows the FY14 current toll rates and the proposed FY15 toll rates by location, split between non-FasTrak and FasTrak, and peak/off-peak if applicable. In summary, FasTrak rates have increased by \$0.01 to \$0.05 per tolling location. Non-Fastrak rates have increased by \$0.09 to \$0.58 per tolling location with the exception of a \$0.07 decrease at Irvine Ranch, and the Irvine Blvd (West) northbound and Portola (West) southbound onramps.

Location	Time/Type	Current Rates	FY15 Alternative 1b	
			Rate	Change
Tomato Springs	Non-FasTrak Off-Peak	\$ 3.25	\$ 3.35	\$ 0.10
	FasTrak Off-Peak	\$ 2.30	\$ 2.35	\$ 0.05
	Non-FasTrak Peak	\$ 3.50	\$ 3.60	\$ 0.10
	FasTrak Peak	\$ 2.55	\$ 2.60	\$ 0.05
Portola North	Non-FasTrak Off-Peak	\$ 2.25	\$ 2.43	\$ 0.18
	FasTrak Off-Peak	\$ 1.40	\$ 1.43	\$ 0.03
	Non-FasTrak Peak	\$ 2.50	\$ 2.84	\$ 0.34
	FasTrak Peak	\$ 1.80	\$ 1.84	\$ 0.04
Alton	Non-FasTrak	\$ 2.25	\$ 2.43	\$ 0.18
	FasTrak	\$ 1.40	\$ 1.43	\$ 0.03
Portola South	Non-FasTrak	\$ 1.50	\$ 1.66	\$ 0.16
	FasTrak	\$ 0.65	\$ 0.66	\$ 0.01
Los Alisos	Non-FasTrak	\$ 1.00	\$ 1.56	\$ 0.56
	FasTrak	\$ 0.55	\$ 0.56	\$ 0.01
Antonio	Non-FasTrak	\$ 1.50	\$ 1.66	\$ 0.16
	FasTrak	\$ 0.65	\$ 0.66	\$ 0.01
Oso	Non-FasTrak	\$ 1.75	\$ 2.33	\$ 0.58
	FasTrak	\$ 1.30	\$ 1.33	\$ 0.03
Windy Ridge	Non-FasTrak Off-Peak	\$ 3.25	\$ 3.50	\$ 0.25
	FasTrak Off-Peak	\$ 2.45	\$ 2.50	\$ 0.05
	Non-FasTrak Peak	\$ 3.50	\$ 3.75	\$ 0.25
	FasTrak Peak	\$ 2.70	\$ 2.75	\$ 0.05
Orange Grove	Non-FasTrak Off-Peak	\$ 2.50	\$ 2.73	\$ 0.23
	FasTrak Off-Peak	\$ 1.70	\$ 1.73	\$ 0.03
	Non-FasTrak Peak	\$ 2.75	\$ 2.99	\$ 0.24
	FasTrak Peak	\$ 1.95	\$ 1.99	\$ 0.04
Irvine Ranch	Non-FasTrak Off-Peak	\$ 2.50	\$ 2.43	\$ (0.07)
	FasTrak Off-Peak	\$ 1.40	\$ 1.43	\$ 0.03
	Non-FasTrak Peak	\$ 2.75	\$ 2.84	\$ 0.09
	FasTrak Peak	\$ 1.80	\$ 1.84	\$ 0.04
Portola (West)	Non-FasTrak	\$ 2.25	\$ 2.43	\$ 0.18
	FasTrak	\$ 1.40	\$ 1.43	\$ 0.03
Irvine Blvd. (East)	Non-FasTrak	\$ 1.75	\$ 1.92	\$ 0.17
	FasTrak	\$ 0.90	\$ 0.92	\$ 0.02
Irvine Blvd. (West)	Non-FasTrak	\$ 1.75	\$ 1.92	\$ 0.17
	FasTrak	\$ 0.90	\$ 0.92	\$ 0.02
Irvine Blvd. (West) * NB On	Non-FasTrak	\$ 2.50	\$ 2.43	\$ (0.07)
	FasTrak	\$ 1.40	\$ 1.43	\$ 0.03
Portola (West) * SB On	Non-FasTrak	\$ 2.50	\$ 2.43	\$ (0.07)
	FasTrak	\$ 1.40	\$ 1.43	\$ 0.03

\* Prior to AET, traffic paid toll at Irvine Ranch

Violations for FY15 are assumed to occur at a rate of 4.0% of transactional toll revenue based on current trends modified for projected changes due to AET implementation, or approximately \$5.0 million of which \$3.0 million, or 2.4% of transactional toll revenue represents unprocessable violations (primarily vehicles with no license plates) and non-revenue transactions (primarily California Highway Patrol, Caltrans, and agency vehicles used on the road for operations and maintenance).

The agency estimates that it will receive a total of \$115.3 million in Net Toll Revenue in FY14. This consists of \$119.7 million of transactional toll revenue reduced by estimated violations of \$4.4 million.

### Fees and Penalties

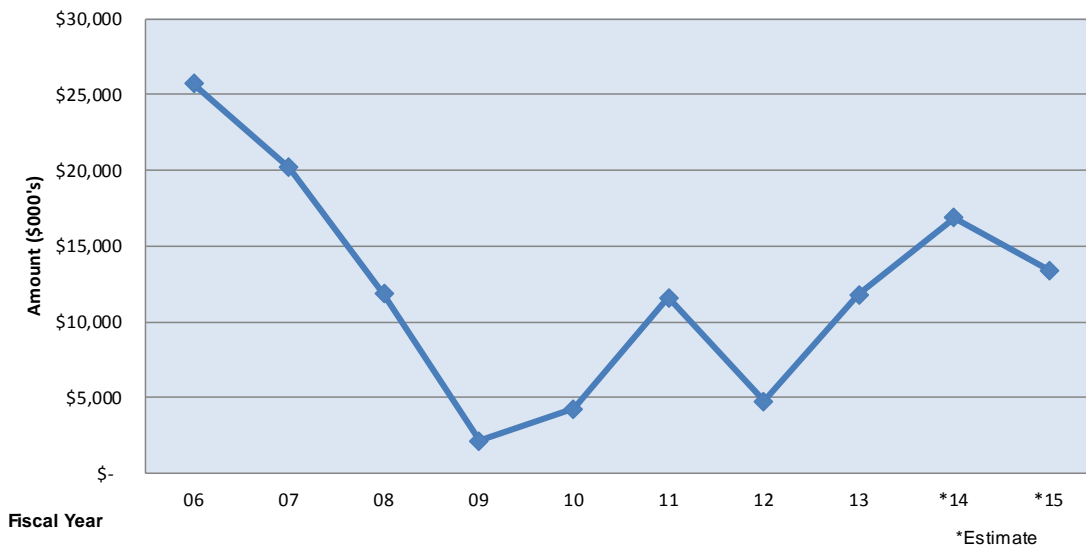
Fees and Penalties revenue is budgeted for FY15 at \$23.3 million, representing 14.6% of total revenues. Fees and Penalties revenue consists of \$11.7 million for estimated amounts to be collected for the recovery of lost tolls from toll violations and fees and penalties related to the violations, \$10.0 million for account maintenance fees from FasTrak account holders, and \$1.6 million of other miscellaneous fees related to operations (i.e., invoice fees, suspended account and returned check fees, lost, stolen or damaged transponder fees, and fees related to programs with San Francisco Airport and rental car agencies).

Actual Fees and Penalties revenue for FY14 is estimated to be \$22.9 million. The FY15 Fees and Penalties budget is based on the current trends in collections, the estimated transactions for FY15, the current pursuable violation rate adjusted for AET projections at 1.6% of traffic, and a staff recommendation to not change the violation penalty amounts from the current rates of \$57.50 on the first notice of violation and \$42.50 on delinquency notice. The FY15 budget for account maintenance fees is based on the agency's current policy in which a fee of \$2.00 per transponder is charged to FasTrak account holders in each month where monthly tolls incurred on F/ETCA or SJHTCA facilities are less than the threshold of \$25 per transponder. When an account has multiple transponders, the aggregate tolls incurred by an account are considered when determining whether any account maintenance fees are charged.

### Development Impact Fees

The agency adopted a Development Impact Fee Program in 1986. The fee program is based on the general principle that future development within the "area of benefit" of the corridor will benefit from the construction of the corridor. Development Impact Fees are assessed on new residential and non-residential (commercial, industrial, etc.) development. Development Impact Fees for FY14 are expected to approximate \$16.9 million. The agency is estimating Development Impact Fees to be \$13.4 million for FY15 representing 8.4% of total revenues, based on the Development Impact Fee study concluded in November 2013. The following chart is provided to illustrate the historical trend of Development Impact Fees collected.

**FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY**  
**Development Impact Fees**  
**Ten Year Trend**



Interest Earnings

Interest Earnings represent earnings on funds held in trust for bondholders, funds held for operations and funds held in custody accounts at the trustee for the agency. Budgeted Interest Earnings are based on projected average balances and an estimated average yield of approximately 1% on all funds. Total Interest Earnings budgeted for FY15 of \$4.7 million represent 2.9% of total revenues.

Interest Earnings for FY14 are estimated to be \$9.1 million. The decrease of \$4.4 million in the FY15 Interest Earnings budget as compared to the FY14 estimate is primarily due to lower Debt Service Reserve Funds (DSRF) required by the 2013 Indentures, the largest funds in the FETCA portfolio. Also, all of the securities in the DSRF were invested in early 2014 after the 2013 bond issuance. These securities are yielding almost 100 basis points less than the funds previously invested in the 1999 DSRF given the current lower interest rate environment. In addition, based on current interest rates, the proceeds from maturing securities are expected to be re-invested in FY15 at average yields lower than FY14.

Grants and Other Revenue

Grants and Other Revenue of \$0.4 million, represent 0.2% of total revenues.

Other Revenue budgeted for FY15 is for rental income of \$0.4 million for the office space leased to SJHTCA. Estimated FY14 Grants and Other Revenue is \$0.4 million consisting primarily of rental income from SJHTCA.



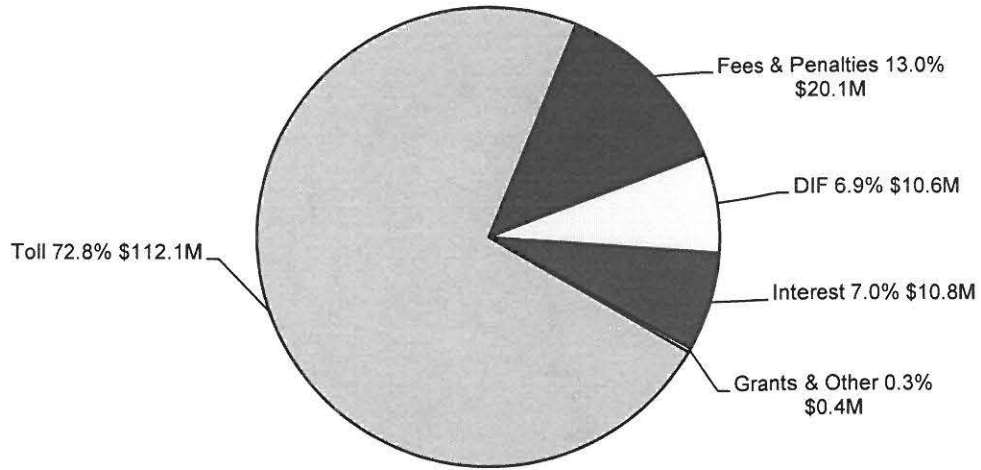
## **Revenue Pie Chart – FY14 Budget as compared to FY15 Budget**

The following chart represents a comparison of FY15 proposed budgeted revenues to FY14 budgeted revenues.

Budgeted revenues increased \$5.9 million to \$159.9 million in FY15 from budgeted revenues of \$154.0 million in FY14 due to an increase in Net Toll Revenue, Fees and Penalties, and Development Impact Fees, offset by a decrease in Interest Earnings, and Grants and Other Revenue.

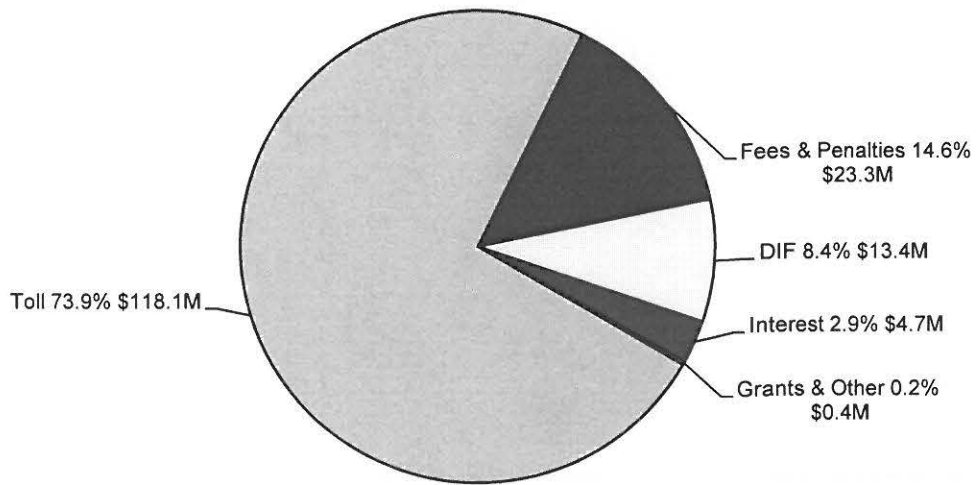
Net Toll Revenue is expected to increase from \$112.1 million budgeted in FY14 to \$118.1 million in the FY15 budget as a result of current transaction and revenue trends and toll rate changes. Fees and Penalties are projected to be higher in FY15 by \$3.2 million compared to the FY14 budget as a result of actual violation collections adjusted for AET projections. Development Impact Fees have increased by \$2.8 million from the FY14 budget to \$13.4 million based on recent collection trends and the Development Impact Fee study concluded in November 2013. Interest Earnings are expected to decrease by approximately \$6.0 million as a result of lower DSRF with lower average yields and lower yields expected on reinvestments that will occur in FY15 as a result of current market conditions. Grants and Other Revenue decreased less than \$0.1 million compared to the FY14 budget primarily due to the completion of the ITS grant project in FY14.

**Foothill/Eastern Transportation Corridor Agency  
FY 2014 Revenue  
Budget  
(\$000)**



**Total Revenue \$154,010**

**FY 2015 Revenue  
Proposed Budget  
(\$000)**



**Total Revenue \$159,940**

## Uses Summary

In response to the economic downturn over the last several years, the agency worked diligently to significantly decrease operating expenses and reduce headcount, while continuing to provide quality customer service and ensuring that equipment, systems and facilities continued to be in a good state of repair. This provided for a lower base to absorb inflationary growth.

As a result of the improving economy and a steady return of revenues to levels recorded prior to the economic downturn in FY08, the agency prepared the FY15 expense recommendation to move forward with increasing efficiencies, increasing transactions and revenues, and enhancing regional and local mobility. The FY15 budget includes a net reduction in staff, significant cost savings from the successful conversion of cash tolling to all-electronic tolling, and greater financial flexibility as a result of refinancing the 1999 bonds. In addition, the budget includes proposed inflationary increases in major operating contracts, capital project costs related to the SR 241 Tesoro Extension and the SR241/91 Connector, operations initiatives, and a decrease in debt service payments.

The FY15 budget for expenses was developed with the agency's continued commitment to fiscal responsibility and overarching goals of:

- (1) Complete the transition to AET and conversion of cash customers to an electronic account
- (2) Increase toll revenue and transactions through the acquisition of new customers and increased usage by existing customers
- (3) Focus on positive customer service
- (4) Expand the toll road system to serve the customer base and benefit regional mobility through the SR 241 Tesoro Extension and SR 241/91 Direct Connector projects
- (5) Continued commitment to sustainability initiatives that benefit our environment

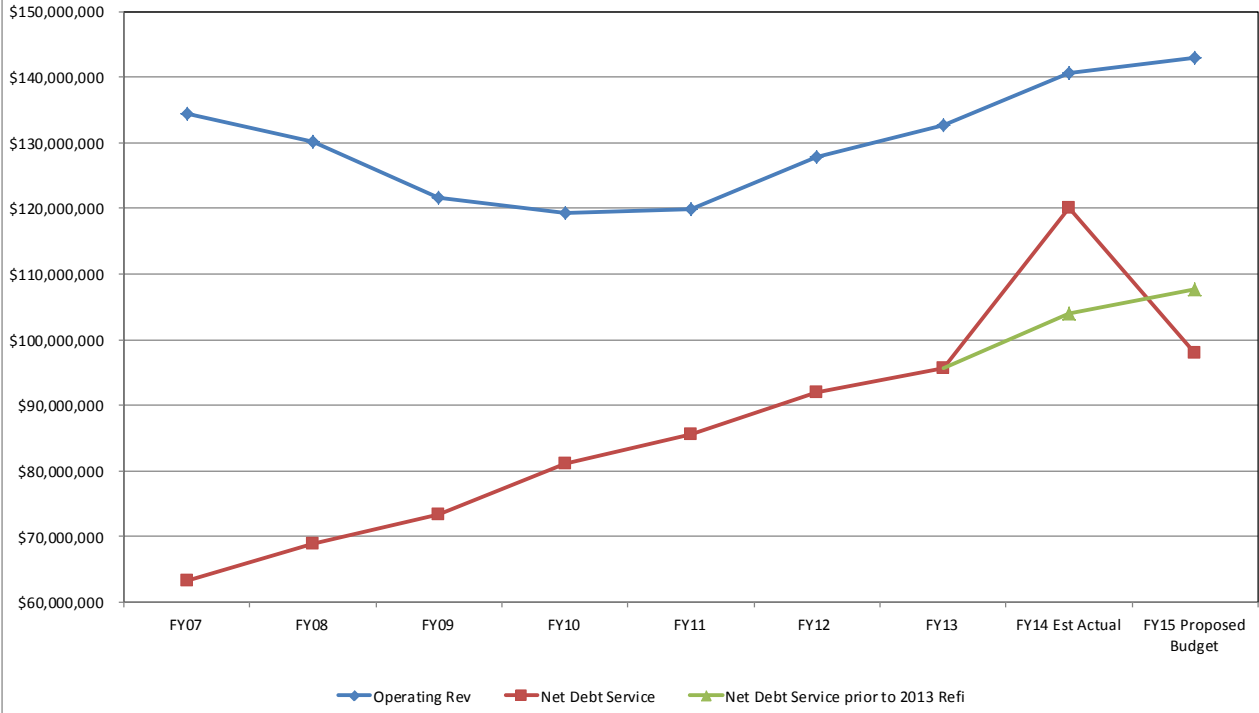
The following charts show operating revenues compared to debt, and the trend of Operating (Toll Operations and allocated Administration) and Non-Operating (Planning, Environmental, and Construction and allocated Administration) expenditures. Revenue fell during the economic downturn beginning in FY08, but has continued a steady increase since. Operating Revenues in this chart include tolls, fees, and penalties revenue and certain investment earnings used in the calculation of debt service coverage. Investment earnings remain constrained due to the current interest rate environment as reflected in Operating Revenues. Tolls, fees and penalties revenue has grown from \$115.4 million in FY07 to \$141.4 million as proposed in FY15

Debt service decreased in FY15 due to the 2013 refinancing transaction. FY15 net debt service (after usage of capitalized interest funds) decreased by \$9.7M from \$107.7 million prior to the 2013 refinancing to \$98.0 million after the 2013 refinancing. As a result of the 2013 refinancing transaction, net debt service will be lower by \$90.8 million from FY15 through FY19 and \$1.0 billion lower through FY40.

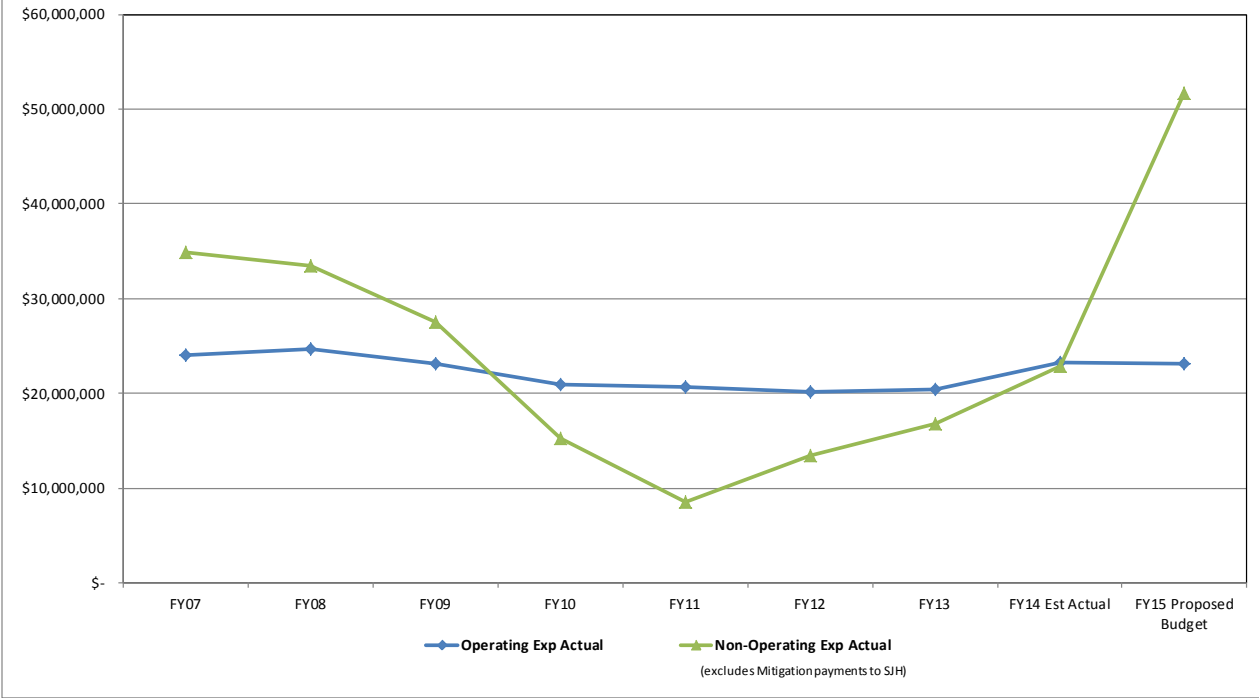
From FY08 – FY12 operating expenses and headcount were reduced by 18.5%. Headcount has been reduced by 22.0% from FY08 – FY15. The increase in operating expense in FY14 is due to equipment improvements, increased transponder purchases, inflationary increases in contracts, and dual processing of cash and AET costs related to new pay types toward the end of FY14. The net decrease in operating and non-operating expense in FY15 is the result of the completion of the AET project, offset by operations initiatives for mobile app, customer service system, system security, One-Time-Toll, website enhancements, image processing improvements, and the expansion of FasTrak transponder retail distribution. The agency operates in a fiscally conservative manner and has made a substantial reduction to current and future operating expenses related to the implementation of AET while still providing customers with the best affordable service possible. The projected net savings related to AET in the first year after implementation is lower due to transitional costs. However, in subsequent fiscal years, the AET savings are expected to be approximately \$2.5 million per year on average.

Non-operating expenses were lower FY08 - FY11 due to the completion of several capital improvement plan projects. The rise in Non-Operating expense for FY12 – FY14 is mainly due to AET implementation and Tesoro Extension pre-financing costs. The additional increase in non-operating expense for FY15 is due to Tesoro Extension project right of way expenditures, costs not spent in FY14 and re-budgeted in FY15, and new costs for the wildlife fencing and SR 241/91 projects. Additional information related to staffing reductions is included on page 27.

### Foothill/Eastern Transportation Corridor Agency Revenue & Net Debt Service Trend



### Foothill/Eastern Transportation Corridor Agency Expense Trend



The proposed budget for FY15 includes total uses of \$196.6 million. The following are brief explanations of the various uses.

#### Planning, Environmental and Construction (Excluding Administration)

This category mainly consists of costs associated with the agency's current Capital Improvement Plan including the SR 241 Tesoro Extension, AET, SR 241/91 Connector projects, and SR 241 Long Range Planning. The proposed budget for Planning, Environmental and Construction is \$41.8 million for FY15, or approximately 21.3% of the total budget. The funding for these expenses is the surplus revenues from previous years, including unspent development impact fees.

The Planning, Environmental and Construction projected actuals for FY14 total \$15.3 million. The increase of \$26.5 million in the FY15 budget is primarily due to costs for a SR 241 wildlife fencing project, Tesoro Extension right-of-way expenses, and expenses re-budgeted in FY15 including SR 241 Tesoro Extension environmental and design costs and the SR 261 Peters Canyon wash water capture and reuse pipeline project that will be paid as consideration for extension of the Caltrans Cooperative Agreement, offset by a reduction in costs due to the completion of AET.

#### Administration

The total proposed budget for Administration expenses is \$17.2 million for FY15, or approximately 8.7% of the total proposed budget. The Administration category includes all employee compensation (3.7% of the total budget) as well as overhead-type expenses, such as insurance, legal, office expenses, administrative consulting services, marketing, building services, and travel expenses. These costs are budgeted in total but are allocated between the two primary activities of the agency: Planning, Environmental and Construction and Toll Operations. The allocation of costs between the two types of activities is necessary in determining the appropriate funding source as well as for the calculation of debt service coverage per the Indentures. The resulting allocation can be seen in the columns for each activity on pages 25 and 26 of this document. The total for each line item is shown in the last column of the same schedule.

Projected Administration expenses for FY14 total \$13.8 million. The increase in the FY15 proposed budget from the FY14 projected actuals is due to as-needed other consulting and legal expenses for SR 241 Long Range Planning and the SR 241 Tesoro Extension that were not spent in FY14 that have been re-budgeted in FY15. Other increases include an upgrade to the Pacifica building HVAC system and a shift in a portion of the marketing plan from the AET capital project back to general marketing. In addition, there is a net decrease in the number of positions budgeted in FY15 for salaries and benefits, offset by costs budgeted in FY15 related to nine positions unfilled for all of part of FY14 due to turnover and recruitment, and three employees who were out on disability for a portion of the year. The FY15 salaries budget also includes a merit pool (see discussion on page 31).

### Toll Operations (Excluding Administration)

Toll Operations include toll system costs associated with maintaining the agency's AET system lane hardware and software currently under contract with TransCore, and customer service center, toll processing, image based transaction, and violation collection processing costs associated with FasTrak and non-FasTrak customers, currently under contract with 3M. Also included in this category are toll facilities costs for maintaining the agency's buildings utilized in the operation of the road, and toll equipment such as transponders, computer upgrades, and server replacements. The proposed FY15 budget for these expenses is \$15.8 million or 8.0% of the total budget.

Toll Operations, excluding Administration, is projected to total \$17.0 million in FY14. The FY15 budget is \$1.2 million lower than projected FY14 actuals due to the implementation of AET, offset by increases to scheduled Consumer Price Index adjustments for the major toll operations contracts, and an increase in transponder purchases.

### Debt Service

The Debt Service category includes the principal and semi-annual interest payments to be made on all outstanding bonds. These payments for FY15 are budgeted at \$121.8 million, or 62.0% of the total budget, of which \$98.0 million will be paid from net revenues and \$23.8 million from capitalized interest.

Actual Debt Service for FY14 will total \$134.4 million consisting of interest and principal payments. The decrease in the FY15 budget is a result of the 2013 refinancing transaction which lowered debt payments in FY15.

## **Uses of Funds – FY14 Amended Budget as compared to FY15 Budget**

The following charts represent a comparison of the FY14 budget and the FY15 proposed budget by type of expense.

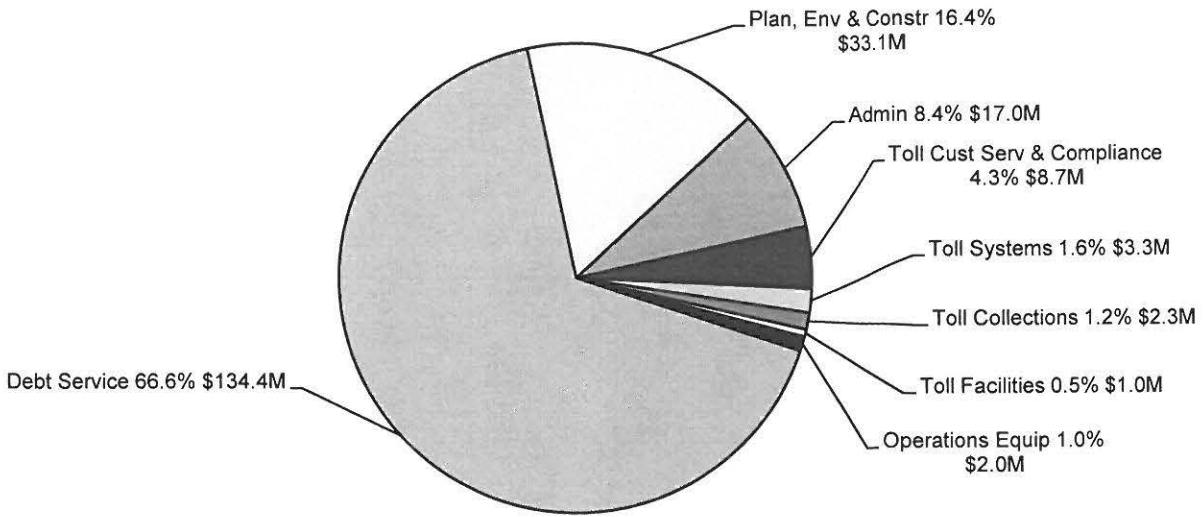
The FY15 proposed budget of \$196.6 million, as compared to the prior year's amended budget of \$201.8 million, shows a decrease of \$5.2 million or 2.6%. A comparison of the two budgets excluding Debt Service results in an increase of \$7.5 million, or 11.1%. The net decrease can primarily be attributed to a decrease in debt payments and the completion of AET. This is offset by an increase in the budget for Planning, Environmental and Construction costs, consisting of the SR 241 Tesoro Extension right of way option and SR 241 wildlife fencing project expenses, and by inflationary increases in major operating contracts and operations initiatives.

The Debt Service category includes the semi-annual interest payments on the 1995 and 2013 outstanding bonds. These payments are budgeted at \$121.8 million for FY15.

Debt Service actuals for FY14 are projected to total \$134.4 million consisting of interest and principal payments. The decrease in the FY15 budget is a result of the 2013 refinancing transaction which lowered debt payments in FY15.

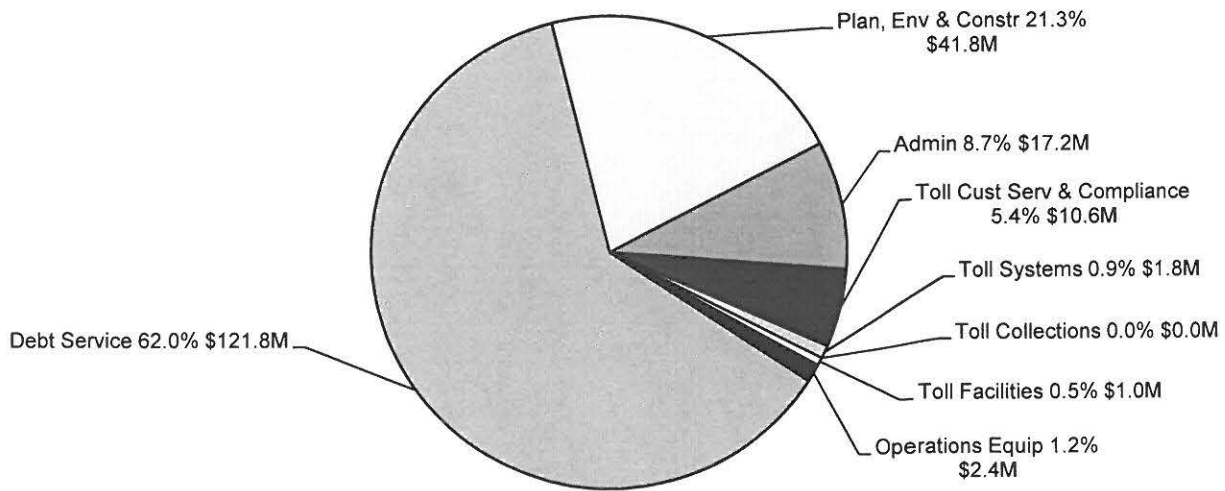


**Foothill/Eastern Transportation Corridor Agency  
 FY 2014 Uses of Funds  
 Amended Budget  
 (\$000)**



**Total Uses \$201,791**

**FY 2015 Uses of Funds  
 Proposed Budget  
 (\$000)**



**Total Uses \$196,613**

## **Uses Detail**

The schedule on the following pages details the budget as summarized on pages 27 to 38 into more specific categories (budget subcategories). Many of the Administration subcategories are allocated between Planning, Environmental and Construction and Toll Operations expenses.

**Foothill/Eastern Transportation Corridor Agencies**  
**Fiscal Year 2015 Proposed Budget**  
**(\$000)**

Budget Category and Subcategory	Budget Fund Categories			Total
	Plan, Environ & Construction	Toll Operations Exp & Equip	Debt Service	
Administration:				
Regular Salaries	2,917	2,156	-	5,073
Board Compensation	52	40	-	92
Benefits	1,187	856	-	2,043
Employer Taxes	55	42	-	97
Insurance	207	850	-	1,057
Legal Expense	186	262	-	448
Telephone/Comm	67	47	-	114
Office Expense	153	143	-	296
Educ, Seminar, Membership, Mtgs	74	77	-	151
Temporary Help	2	1	-	3
Consulting and Other Services	427	671	-	1,098
Marketing	61	1,418	-	1,479
Publications & Subscriptions	5	4	-	9
Rents & Leases	47	12	-	59
Building Services	312	230	-	542
Transportation & Travel	172	89	-	261
Office Equipment	52	95	-	147
Pacifica Fixed Assets	453	347	-	800
Subtotal Administration	6,429	7,340	-	13,769
SR 241 Administration:				
Administration	1,957	-	-	1,957
Legal	1,528	-	-	1,528
Subtotal 241 SR Admin	3,485	-	-	3,485
Total Administration	9,914	7,340	-	17,254
Planning, Environmental and Construction:				
SR 241:				
Design/Program Mgmt	4,050	-	-	4,050
Design Special Studies & Other	622	-	-	622
Design Contingency	2,100	-	-	2,100
Design General Engineering Cost	300	-	-	300
Environmental	2,974	-	-	2,974
ROW Acquisitions, Appraisals & Other	15,075	-	-	15,075
Total SR 241	25,121	-	-	25,121
Capital Improvement Plan (CIP):				
SR241/91 Connector	1,481	-	-	1,481
Strategic & Policy Planning Study (AET)	1,875	-	-	1,875
ETC Toll Plaza Water Service	450	-	-	450
241 Widening-133 to Chapman (Loma Segment)	3	-	-	3
Total Capital Improvement Plan	3,809	-	-	3,809
Other Planning, Environmental and Construction:				
Environmental	10,954	-	-	10,954
Design/Program Mgmt	445	-	-	445
Design Special Studies & Other	600	-	-	600
ROW Acquisitions, Appraisals & Other	3	-	-	3
Other Construction FETC	880	-	-	880
Total Other Planning, Environ and Constr	12,882	-	-	12,882
Total Planning, Environmental and Construction	41,812	-	-	41,812

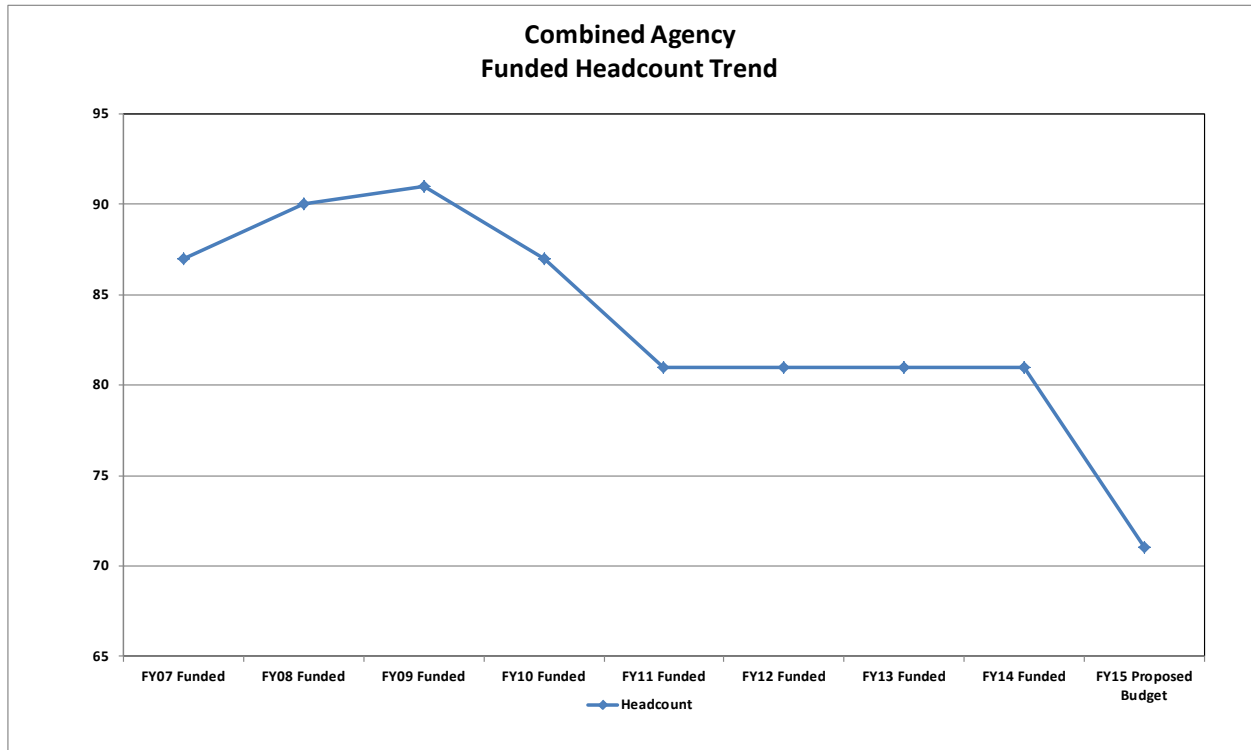
**Foothill/Eastern Transportation Corridor Agencies**  
**Fiscal Year 2015 Proposed Budget**  
**(\$000)**

<b>Budget Category and Subcategory</b>	<b>Budget Fund Categories</b>			<b>Total</b>
	<b>Plan, Environ &amp; Construction</b>	<b>Toll Operations Exp &amp; Equip</b>	<b>Debt Service</b>	
Toll Operations:				
Customer Service & Toll Compliance	-	10,526	-	10,526
Toll Systems	-	1,749	-	1,749
Toll Facilities	-	1,073	-	1,073
Subtotal Toll Operations	-	13,348	-	13,348
Operations Equipment:				
Transponder Equipment		2,212	-	2,212
Toll Equipment		217	-	217
Total Equipment	-	2,429	-	2,429
Total Toll Operations	-	15,777	-	15,777
Debt Service	-	-	121,770	121,770
Total Uses	51,726	23,117	121,770	196,613

Staffing

The policies of the TCA require approval by the Boards of Directors for all new classifications, salary grade assignment of classifications, changes to the staffing plan (number of approved positions), and the total compensation budget. Compensation and staffing programs are then administered by the CEO under the approved budget. During the budget process each year, the CEO recommends changes to the existing programs for the upcoming fiscal year.

The recommended staffing plan for FY15 is 71 funded positions (from 81) and is allocated 29% to this agency and 71% to F/ETCA. The headcount is reduced by 14 positions; 12 due to AET and the elimination of the Chief of Staff and Technical Systems Specialist. In addition to the 71 funded positions, TCA also employs 3 part-time project employees, down from 5 in FY14. Project employees typically do not receive benefits offered by the agencies and are currently not included in the staffing plan. The following chart shows the change in funded headcount from 2007 through 2014 and the projected 2015 headcount on a combined agency basis (F/ETCA and SJHTCA).



After an in-depth look at our current staffing plan, we are recommending the addition of four new positions listed in the table below.

Proposed New Positions
Contract Administrator
Communications/Media Relations Manager
Manager, Environmental
Strategy Director

In addition, we are requesting the re-classification of 8 current positions (see table below) in order to support our current and near-future business model and major initiatives.

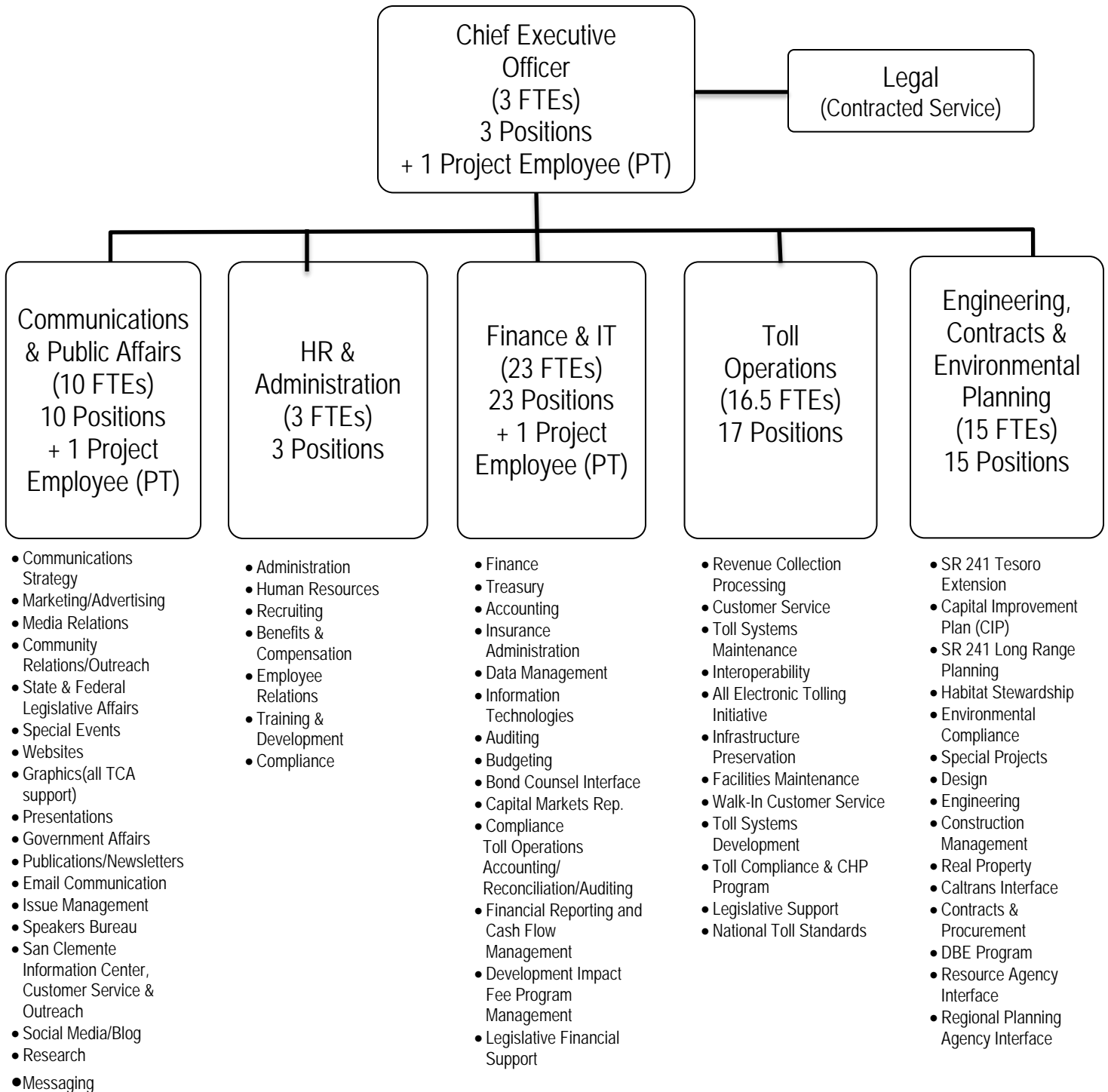
Proposed Reclassification From	Proposed Reclassification To
Sr. Public Affairs Representative	Public Affairs Specialist
Public Affairs Specialist	Manager, Marketing and Public Relations
Sr. Contracts Administrator	Manager, Contracts and Procurement
Manager, Contracts and Procurement	Director, Contracts and Procurement
Operations Analyst	Sr. Operations Analyst
Deputy Director, Customer Service	Director, Customer Service
Sr. Network Engineer	Manager, Information Technology
Assistant Controller	Assistant Controller and Finance Analyst

A functional area organization chart is included on the following page. The chart illustrates the duties and responsibilities for each executive's division and the number of funded positions and the calculated full time equivalents.

In addition to the regular duties and responsibilities that are required to manage the agencies, there are a number of project initiatives that staff works on each year to achieve the agency goals and objectives. Some of the longer term projects have been included on the chart. A more detailed description of these projects has been included as Appendix A.

# TCA Organizational Structure Fiscal Year 2015

## Boards of Directors



Administration - Compensation (Regular Salaries and Benefits)

The agency employee compensation budget is \$7.2 million. TCA salaries are reviewed each year through the annual performance review process. The agency does not provide for any type of automatic step or COLA increases.

Benefits include contributions to a cafeteria plan (medical, dental, and vision) and retirement plans. In general, budgeted benefits are determined by applying estimated rates for these plans to budgeted salaries. If benefit rates come in lower than expected, the budget is not spent. FY15 benefits are 40.3% of salaries.

In June 2012, the Board of Directors requested the agencies analyze the compensation and benefits package provided to employees. The Joint Compensation Ad Hoc Committee was formed and worked with a consultant and staff on this analysis. In April 2013, based on the results of the analysis of current benefits comparisons to public and private sector practices, the Board approved the reduction of employer paid employee contributions to the Orange County Employees Retirement System (OCERS), thereby shifting costs from the employer to the employee. The reduction in the benefit will occur over a three year period, reducing the amount paid by the agency that was 7% by 2.5% which began July 1, 2013 to 4.5%, followed by another 2.5% reduction beginning July 1, 2014 to 2.0% paid by the agency, followed by the final 2.0% reduction on July 1, 2015, at which time employees will be responsible for the entire employee retirement contribution, as shown in the chart below. F/ETCA's portion of the savings in FY15 related to the reduction of this benefit is \$82,000 and is reflected in the proposed budget. In addition, the Comprehensive Annual Leave (CAL) accrual rates for employees will be reduced to align with the market. The reduction in the CAL time accrual rates will be effective July 1, 2014, and will result in a savings to F/ETCA of \$64,000.

Reduction of Employer Pick-Up of OCERS Contribution Over Three Years				
Description of TCA Practices and Changes	Pre			
	7/1/13	7/1/13	7/1/14	7/1/15
Employer paid up to 7.00% based on employee actuarial rate	7.00%	4.50%	2.00%	0.00%
Increase in employee pick-up over 3 years	0.00%	2.50%	2.50%	2.00%
Employee cumulative increase in payment over 3 years	0.00%	2.50%	5.00%	7.00%
Employee's average contribution (counting all employees)	2.40%	5.90%	9.00%	11.40%

The FY15 employer contribution to OCERS has been budgeted at 25.71% (22.87% for employees hired on or after January 1, 2013 under the Public Employees Pension Reform Act – PEPR). 12.97% of the FY15 employer rate is for payment of the agencies' unfunded actuarial accrued liability (UAAL). The agencies' UAAL at December 31, 2013 was approximately \$12.0 million. OCERS has adopted actuarial assumption



changes, the most significant of which relates to the investment earnings rate assumption. The earnings rate has been decreased from 7.75% to 7.25% and is being phased in over a two year period ending in FY15. Due to the change in actuarial assumptions, the agencies' UAAL increased by approximately \$2 million. Under OCERS, the UAAL is amortized over various periods that on a combined basis approximate 20 years. The agencies monitor the UAAL and believe that it is manageable as it is paid each year as part of the employer contribution.

A 4.0% merit pool of \$170,556 based on the current public and private market has been included in the budget. The recommended merit pool will allow the agency to remain competitive, reward employees for their performance, and help retain current employees. The annual review process includes: employee input on the employee's perspective of accomplishments and future goals, supervisor review and evaluation of employee accomplishments and establishment of goals for the next year, executive team member review of all performance reviews for the department, human resources review of all agency performance reviews for consistency, and submittal of performance reviews to the CEO for approval. The performance reviews are rated based on employee performance and include ratings in the following categories: Exceptional, Very Successful, Successful and Needs Improvement. The merit increase will be assigned according to ratings category and is expected to range from 2.5% for a successful rating to 5% for an exceptional rating. A 2.0% non-base building bonus pool of \$85,278 has been included in the budget. This will allow the CEO to reward outstanding achievement on special projects and or initiatives.

Based on research conducted during the compensation and benefits review, most of the member agencies who have adopted the phase-out of employer paid employee pension contributions have implemented the plan along with an increase to salary to offset the effect on the employee often through a cost of living increase. The agency has not proposed this type of salary increase to offset the proposed reduction in benefits but has included a proposed merit and bonus pool for the reasons stated above.

TCA has contained costs through a net reduction in headcount (81 to 71) and reduced benefits (OCERS/CAL). Our philosophy and approach to contract out many of our services continues to keep our salaries/benefits lower and manageable. Our benefit design as it relates to healthcare offered to our employee's self-mitigates rising employer costs despite increases to individual plans.

#### Administration - Insurance

Insurance expense is included at \$1.1 million, approximately 0.5% of the total budget. The major components of insurance include earthquake, property, general and excess liability, and workers' compensation coverage as detailed in the annual Current Insurance Coverage Report which will be provided at an upcoming board meeting. Policies are marketed and placed by the agency's insurance broker, Alliant Insurance Services, Inc. who provides all of the agencies' insurance procurement needs. All insurance is maintained in accordance with the requirements of the Indentures and as prudent business activities dictate.

Administration - Legal Expenses

Legal Expenses, excluding amounts related to the SR 241 Long Range Planning and SR 241 Tesoro Extension, is included at \$0.4 million, approximately 0.2% of the total budget. Amounts in this category include, but are not limited to, general counsel representation, legislation, support for ongoing and potential litigation, legal consulting related to contract issues, financing, development impact fees, and claims litigation. Legal expenses are invoiced separately by individual matter, or type of legal issue, and are managed very carefully by the individual department managers who have requested the assistance. Composite rates for general counsel have remained at the original 1986 rate of \$140.00 per hour. Negotiated blended rates related to AET, complex contract issues, and certain real estate issues are \$300.00 per hour. In addition, litigation rates are billed at prevailing rates that vary between \$325.00 and \$800.00 per hour depending on the level of experience of the attorney involved, and state lobbyists are billed at a rate of \$400.00 per hour. Below is a breakdown of legal expenses by major category:

General/Other	\$150,000
Contracts	97,000
Legislation	63,000
Financing	60,000
Development Impact Fees	50,000
Toll Operations	16,000
Environmental	10,000
Construction	2,000
Total	<u>\$448,000</u>

Administration - Consulting and Other Services

The Consulting Services category amounts to \$1.1 million, which represents approximately 0.6% of the total budget and, as detailed below, includes service fees, maintenance and third party assistance contracts for both recurring needs and special projects, such as ADP for payroll processing and KPMG, LLP for annual audit services. It also includes financial planning, a Pacifica building air conditioning retrofit project consultant, a study for improved alignment with the Orange County Transportation Authority (OCTA), printing and distribution of publications, video production, federal lobbying, and community relations/public relations services.

Public Relations Consulting and Research	\$164,000
Financial Consulting	115,000
Payroll and Personnel Services	108,000
Toll Operations Services	101,000
Regional and Community Outreach	95,000
Finance Advisors	75,000
OCTA Alignment Consultant	73,000
Audit Services	58,000
Trustee Fees	50,000

Traffic and Revenue Consultant	48,000
Internal Software Maintenance & Programming	45,000
Rating Agencies	40,000
Fed Lobbying-Not Related to SR 241 Initiatives	36,000
HVAC Retrofit	30,000
Disadvantaged Business Enterprise Program	25,000
Publication and Video Production	21,000
Bloomberg Investing Services	14,000
Total	<u><u>\$1,098,000</u></u>

#### Administration - Marketing Consultant

Total expenditures for general marketing are budgeted at \$1.5 million, representing 0.8% of the total budget, excluding the SR 241 Tesoro extension advertising. This includes amounts paid for radio and cable TV commercials, on-line advertising, and customer communications, research and consultant services for marketing, and website development. In addition, the FY15 budget includes two new programs; Loyalty and Email Marketing, intended to increase revenue, transactions and/or account enrollments. Following is the budget associated with these expenses:

Marketing Consultant	\$1,276,000
Website	107,000
Loyalty Program	67,000
Marketing Research	17,000
Email Marketing	12,000
Total	<u><u>\$1,479,000</u></u>

#### Administration - Building Services

Building Services is budgeted at \$0.5 million, approximately 0.3% of the total budget. This category includes all operating costs associated with the agency's operations facility (Pacifica building) and the San Clemente Information Center including utilities, janitorial services, landscaping services, and maintenance and repairs as listed below:

<b>Pacifica Building:</b>	
Utilities	\$207,000
Janitorial	93,000
Landscaping and Pest Control	48,000
Unanticipated and Emergency Repairs	30,000
Carpet Cleaning	30,000
Other Repair and Maintenance; locks, elevator, generator, etc.	28,000
Heating and Air Conditioning Services	27,000
Electrical, Light and Plumbing Repair and Maintenance	26,000
Security System Repair and Maintenance	15,000
Parking and Window Maintenance	11,000
Structure and Roof Repair and Maintenance	10,000
Association Fees and Assessment Tax	3,000

San Clemente Service Center: Utilities, Repair and Maintenance	14,000
Total	<u>\$542,000</u>

Planning, Environmental and Construction - SR 241

The SR 241 Tesoro Extension and SR 241 Long Range Planning costs (including related administrative costs) are budgeted at \$28.6 million representing 14.5% of the proposed budget. The primary costs for this category are the SR 241 Tesoro Extension pre-financing costs which include engineering/design oversight, environmental planning, design/build services, right of way, legal, and advocacy consultants. Related administrative expenses consist of legislative services, strategy consultants, community outreach consulting, community relations, and advertising. In FY15, work will continue on the development of engineering plans, completion of environmental assessments, and development of a financial strategy to build the SR 241 Tesoro Extension. Upon completion of this work, the Board of Directors will be asked, in a future action, to approve the project, its financing, and award a design-build contract amendment for its final design and construction.

SR 241 Tesoro Extension:	
Right of Way	\$15,075,000
Engineering/Design Oversight	5,152,000
Environmental	2,459,000
	<u>\$22,686,000</u>
SR 241 Long Range Planning:	
Engineering/Design Oversight	\$1,920,000
Environmental	515,000
	<u>\$2,435,000</u>
Total	\$25,121,000
Administrative and Legal Expenses	\$3,485,000
Grand Total	<u>\$28,606,000</u>

Planning, Environmental and Construction - Capital Improvement Plan

The Capital Improvement Plan, excluding the SR 241 Long Range Planning and SR 241 Tesoro Extension, is budgeted at \$3.8 million and represents 1.9% of the total budget. This category is comprised of projects for the 241, 261, and 133 Toll Roads and includes annual funding for the projects, including program management, environmental, design, construction management, construction, and all other related costs. The three main CIP projects include the coordinated efforts with the Orange County Transportation Authority (OCTA) on a direct connector from the SR 241 to the 91 Express Lanes, the final phase of AET, and a permanent domestic water connection near the southbound Tomato Springs Mainline Toll Plaza. These costs are outlined in the Capital Improvement Plan approved by the Board of Directors on May 8, 2014 and summarized below:

Strategic and Policy Planning Study (AET)	\$1,875,000
SR 241/91 Connector	1,481,000
ETC Toll Plaza Water Service	450,000
241 Widening-133 to Chapman (Loma Segment)	3,000
Total	<u>\$3,809,000</u>

Planning, Environmental and Construction - Other Planning, Environmental and Construction

Other Planning, Environmental and Construction costs (excluding SR 241) are budgeted at \$12.9 million, or 6.6% of the total budget. Expenditures budgeted mainly include a SR 241 wildlife fencing project, an agreed upon payment to Caltrans for the Peters Canyon wash water capture and reuse pipeline project as consideration for extension of the Caltrans Cooperative Agreement, and a signage enhancement project. In addition, funding includes continued monitoring and habitat management for nearly 1,800 acres of mitigation area required for the 241, 261 and 133 Toll Roads. Monitoring and habitat management includes the Limestone Canyon Mitigation Area, Upper Chiquita Canyon, and Live Oak Plaza, as well as project initiatives for the Strawberry Farms Mitigation Site.

Wildlife Fencing	\$7,870,000
Peters Canyon Wash Water Capture/Reuse Pipeline Project	2,400,000
Environmental Monitoring and Habitat Management	1,102,000
Signage Enhancements	720,000
Design/Program Management	445,000
Competing Route Traffic Trends System	240,000
Strawberry Farms Mitigation Site	102,000
Design Special Studies, ROW and Other	3,000
Total	<u>\$12,882,000</u>

Toll Operations - Toll Customer Service and Toll Compliance

The Toll Customer Service and Toll Compliance category totals \$10.5 million, approximately 5.4% of the total budget, and primarily includes funding for the service center operations and toll compliance contract with 3M, including technical projects in the amount of \$317,000, credit card processing fees assessed on all FasTrak, ExpressAccount, and violation credit card transactions, and temporary AET transitional customer service costs. Also included in this category are printing, postage, and mailing services, judgment recovery and collection costs, CHP violation enforcement, and telephone expenses. Customer incentive offers included in this category include ongoing Costco and AAA member discounts and future transponder distribution programs at additional outlets. The budget associated with these expenses is detailed below:

Toll Enforcement and Customer Serv Center Contract-3M	\$4,494,000
Credit Card Processing Fees	3,954,000
Postage and Printing	1,236,000
Enforcement Services-CHP, Judgment Recovery and Other	569,000

Telecommunications-Customer Service Center	114,000
Phase-in of AET Operating Costs	81,000
Customer Incentives, Supplies, and Equipment Maintenance	78,000
Total	<u>\$10,526,000</u>

Toll Operations - Toll Systems

The Toll Systems category totals \$1.7 million, or approximately 0.9% of the total budget and, as detailed below, primarily consists of fees for the AET software and hardware maintenance and operation contract with TransCore. Also included in this category are AET spare parts and repairs, software licenses, and various computer maintenance contracts. For the first fiscal year under the new system, maintenance and spare parts are under warranty through November 2014. Costs for these items will commence starting in December 2014.

AET Maintenance and Operation	\$1,000,000
System Maintenance and Support	731,000
AET Spare Parts	18,000
Total	<u>\$1,749,000</u>

Toll Operations - Toll Facilities

This category is budgeted at \$1.1 million representing 0.5% of the total budget, and accounts for all costs associated with maintaining the agency's toll plazas such as utilities, janitorial services, and other various supplies and repairs as further detailed below:

On Road Utilities	\$587,000
On Road Maint-County of Orange Public Works	126,000
Other On Road Building Maintenance and Repair	115,000
Heating and Air Conditioning Services	61,000
On Road Janitorial	52,000
On Road Landscaping	50,000
Generator Maintenance, Fuel and Permits	38,000
Toll Ramp Lighting, Repair and Maintenance	24,000
Post AET Implementation Security Consulting	20,000
Total	<u>\$1,073,000</u>

Toll Operations – Operations Equipment

The Toll Operations Equipment budget is \$2.4 million, or 1.2% of the total budget. The budget breakdown below includes purchases of transponders, and other equipment purchases as detailed in the FY15 project initiatives document (Appendix A):

Transponders	\$2,212,000
Contractor Computer Upgrade	101,000
Server Replacements	54,000

On Road Service Vehicle	37,000
Mail Machine	18,000
Network Switches	7,000
Total	<u>\$2,429,000</u>

Debt Service

The Debt Service category totals \$121.8 million or 62.0% of the total budget and includes interest payments on the agency's outstanding bonds. Of the required payments, \$9.0 million will be paid from a capitalized interest fund established at the time of the 1999 financing and \$14.8 million will be paid from a capitalized interest fund established at the time of the 2013 financing. The remaining \$98.0 million will be paid from net revenues with \$49.0 million to be paid on each January 15, 2015 and July 15, 2015.

The FY15 budgeted aggregate and senior lien debt service coverage ratios shown below meet the Indenture requirements of 1.15x and 1.30x, respectively. The budgeted coverage is 1.22 and 1.41, respectively, and does not include the use of reserves or escrow defeasance. Adjusted Net Toll Revenues only includes certain revenues per the Indentures and interest earnings in certain accounts. Development impact fees are not included in the calculation. While development impact fees are not included in the budget calculation of the debt service coverage ratios, the Indentures allow for development impact fees that are remaining after each debt service payment to be added to the calculation thereby enhancing the debt service coverage calculation. The Indentures refer to this as Enhanced Adjusted Net Toll Revenues and this enhanced calculation will be used for debt service coverage covenant reporting. Current expenses include expenditures that are allocated to operations, excluding costs reimbursable by grant funds.

## Debt Coverage Calculation Fiscal Year 2015

	<u>FY15 Budget (In Thousands)</u>
<u>Adjusted Net Toll Revenues</u>	
Total Toll Revenues Including Fees and Penalties	141,432
Interest Earnings	1,504
Current Expenses - Funded From Toll Revenue	<u>(23,117)</u>
Adjusted Net Toll Revenues	<u><u>119,819</u></u>
<u>Aggregate Net Debt Service</u>	
Annual Aggregate Debt Service	121,770
Less Capitalized Interest	(23,820)
Less Escrow Defeasance	<u>-</u>
Net Aggregate Debt Service	<u><u>97,950</u></u>
Aggregate Coverage Ratio (1.15x requirement)	<u><u>1.22</u></u>
<u>Senior Lien Net Debt Service</u>	
Annual Senior Lien Debt Service	109,006
Less Capitalized Interest	(23,820)
Less Escrow Defeasance	<u>-</u>
Net Senior Lien Debt Service	<u><u>85,186</u></u>
Senior Lien Coverage Ratio (1.30x requirement)	<u><u>1.41</u></u>



Transportation Corridor Agencies

# FISCAL YEAR 2015 PROJECT INITIATIVES – APPENDIX A



**The Toll Roads<sup>®</sup>**  
Stop sitting. Get moving.



The Agencies' major construction-related project initiatives for Fiscal Year 2015 are the SR 241 Tesoro Extension, which is described on page 3, and the 241/91 Connector, which is described on page 4. Our additional initiatives are summarized beginning on page 5.



Transportation Corridor Agencies

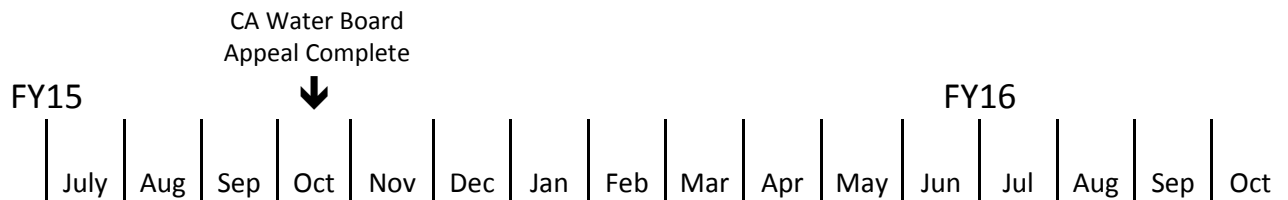
## PROJECT INITIATIVE: SR 241- TESORO EXTENSION

### INITIATIVE

In October 2011, the Foothill/Eastern Board of Directors authorized staff to develop engineering plans, complete environmental assessments and develop a financial strategy to build the SR 241 Tesoro Extension from the existing southerly terminus at Oso Parkway in Rancho Santa Margarita to the vicinity of Ortega Highway near San Juan Capistrano. The Tesoro Extension will provide additional northern access for communities located inland of Interstate 5 and commuters traveling to Orange County business centers from the Inland Empire via Ortega Highway. Construction of the five mile extension will create more than 2,000 Orange County jobs and an additional 407 jobs statewide.

### FISCAL YEAR 2015 SCOPE, SCHEDULE AND BUDGET

- **Environmental, Design, Construction & Contracts** – Permitting, design and design oversight, ROW acquisition
- **Toll Operations** - Toll plaza design input, review and construction oversight
- **Communications & Public Affairs** - Community relations, outreach and state/federal legislative activities.
- **Finance, Administration & IT**- Develop financial strategy including coordination with financial advisor, underwriter, bond counsel, rating agencies, T&R consultant.



FY 15 Planning, Environmental & Construction	
Right of Way	\$ 15,075,000
Engineering/Design Oversight	5,152,000
Environmental	2,459,000
Administration	1,149,500
Construction Legal	333,000
Environmental Legal	800,000
Federal Legislation and State Lobby Services	147,500
<b>TOTAL TESORO EXTENSION</b>	<b>\$25,116,000</b>



## INITIATIVE

This project addresses the most prominent customer complaint on the Foothill/Eastern system; traffic queues on the northbound 241 approaching the eastbound 91 during the evening commute. This capital project will add a direct toll-to-toll connector between the 241 and the 91 Express Lanes to and from the east.

## FISCAL YEAR 2015 SCOPE, SCHEDULE AND BUDGET

Scope includes completion of preliminary engineering & environmental technical studies, development & publishing of draft supplemental EIR/EIS & public meeting, begin work on final project report and 35% plans. Finalize delivery method selection and begin work on procurement package. Complete investment grade traffic and revenue study. Continue interagency coordination with OCTA, RCTC and Caltrans. Budget assumes ½ cost reimbursement by OCTA for PA/ED work and T&R study.

Begin Preliminary Procurement Work										T&R Study Complete	Draft SEIR/EIS Complete/ Begin Final					
↓										↓			↓			
FY15						FY16										
	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct

FY 15 Planning, Environmental & Construction	
Engineering	\$ 576,000
Design Oversight	660,000
Environmental	384,000
Contingency	287,000
OCTA Reimbursement	-623,000
Contingency	197,000
<b>TOTAL 241/91 Connector</b>	<b>\$1,481,000</b>

## FISCAL YEAR 2015 PROJECT INITIATIVES

Chief Executive Officer				
Staff	Project Initiative	F/ETCA Project Budget	SJHTCA Project Budget	Project Scope
Mike Kraman	Strategic Delivery	\$275,000	\$0	Improve the Agency's strategic approach to delivering its capital program and positioning the Agency as a regional expert in toll facilities and priced alternatives for transportation funding. Includes establishing an executive team level position focused on strategy.
Mike Kraman	Transparency	\$8,000	\$3,000	<p>During FY15, complete a number of tasks that will enhance the Agencies' focus on improved transparency to the public.</p> <ul style="list-style-type: none"> <li>• Establish a code of conduct for the Agencies</li> <li>• Update the Agencies' administrative code</li> <li>• Review the Ad Hoc committees</li> <li>• Improve website content</li> </ul>
Mike Kraman	Alignment with OCTA	\$73,000	\$27,000	Explore ways where the TCA could better align with OCTA and as applicable, the County of Orange. This effort would look first for ways the entities could improve communication and collaboration, and also for ways to take advantage of each Agencies capabilities and expertise. The effort would include the use of a consultant to evaluate and report on concept, the merits and economic benefits of better alignment between the Agencies.
Additional TCA Project Initiatives which will be focused on by the CEO in FY15				
Mike Kraman	Complete AET Implementation	*	*	<ul style="list-style-type: none"> <li>• Post-cash communication, outreach and customer service support</li> <li>• Monitoring/reporting revenue and expense results to compare against project assumption</li> </ul>
Mike Kraman	241/91 Connector Project	*	*	<ul style="list-style-type: none"> <li>• PA/ED phase tasks</li> <li>• OCTA/RCTC/TCA/Caltrans coordination</li> <li>• Concept of toll operation</li> <li>• Traffic &amp; revenue analysis and financial feasibility</li> </ul>
Mike Kraman	Tesoro Extension Project	*	*	<ul style="list-style-type: none"> <li>• RWQCB WDR permit appeal to the State Water Board</li> <li>• RMV coordination</li> <li>• NEPA/CEQA processes</li> <li>• Litigation awareness</li> <li>• Financial plan</li> </ul>
Mike Kraman	241 Long-Range Planning	*	*	<ul style="list-style-type: none"> <li>• Restart discussions with stakeholders and environmental groups</li> <li>• Work with the F/E Board to articulate vision and strategy</li> </ul>
Mike Kraman	Increase Ridership Creatively While Meeting Revenue Goals	*	*	<ul style="list-style-type: none"> <li>• Respond to customer issues, support marketing and outreach and develop programs to benefit frequent users</li> </ul>
Mike Kraman	SJHTCA Bond Refinance	*	*	<ul style="list-style-type: none"> <li>• Evaluate opportunity to create long-term sustainable debt structure</li> </ul>

\* Discussed throughout the budget documents

## Environmental, Design, Construction & Contracts

Staff	Project Initiative	F/ETCA Project Budget	SJHTCA Project Budget	Project Scope
Juliet Su	Signage Enhancements	\$720,000	\$420,000	Includes design and installation of updated signage at entrances to toll road system.
Juliet Su	ETC Toll Plaza Water Service Project	\$450,000	\$0	Includes conversion of the Tomato Springs Toll Plaza irrigation system from domestic to non-domestic water. Includes developing design plans and decommissioning work for the Tomato Springs Toll Plaza water reservoir.
David Lowe	SR 261 Peters Canyon Wash Water Capture/ Reuse Pipeline Project	\$2,400,000	\$0	Agreed upon payment to Caltrans for the project as consideration for extension of the Caltrans Cooperative Agreement based upon approval of the debt refinancing.
David Lowe	Competing Route Traffic Trends	\$240,000	\$120,000	Develop traffic trend tracking system to 1) determine current origin/destination patterns on the toll road system and 2) monitor alternate route traffic as compared to toll road usage.
Paul Bopp	SR 241 Long Range Planning	\$2,435,000	\$0	Support ongoing stakeholder program to find a transportation solution that will improve regional mobility.
Valarie McFall	SR 241 Limestone Mitigation Site	\$5,000	\$0	Maintenance work at the F/ETCA's Live Oak Plaza Site, a 23.2-acre site at the southeast corner of the intersection of El Toro Road and Santiago Canyon Road at Live Oak Canyon Road, as a substitute to fulfill performance standards at the Agency's Limestone Canyon Mitigation Site. This is required to fulfill the resource agency permit requirements associated with construction of the Eastern Transportation Corridor.
Valarie McFall	Strawberry Farms Mitigation Site	\$102,000	\$0	Restoration of coastal sage and cactus scrub habitat on 15 acres of property known as Strawberry Farms Mitigation Site, which will serve as an informal mitigation bank for current and/or future agency projects. The property is located within the City of Irvine, adjacent to Quail Hill and Strawberry Farms Golf Course, and is within the Central/Coastal Natural Community Conservation Plan area. <b>YEAR 3 OF 7 YEARS.</b>
Valarie McFall	Upper Chiquita Canyon Conservation Area Management	\$200,000	\$0	Finalize formal bank amendment and resource management plan with USFWS and CDFG.
Valarie McFall	SR 241 Wildlife Fencing Retrofit	\$7,870,000	\$0	Retrofit existing wildlife fencing along SR 241 between SR 133 north to the SR 91. These improvements are required to comply with the project's biological opinion issued by the USFWS for the Eastern Transportation Corridor Project. <b>PHASE 2 of 3 PHASES.</b>

## Toll Operations

Staff	Project Initiative	F/ETCA Project Budget	SJHTCA Project Budget	Project Scope
Joyce Hill	Operational Data Push to TCA	\$47,000	\$23,000	Accommodate housing by TCA of daily transactional data (e.g., image-based-transactions, account sign-ups, promo stats) to provide for analysis by Finance team and review by management.
Joyce Hill	Alternative Image Processing Improvements	\$21,000	\$10,000	Enhance existing system to reduce processing time from roadside to CSC databases.
Joyce Hill	Image Processing Integration w/Back-Office VTX System	\$16,000	\$8,000	Design document for enhanced image processing system to allow "real-time" One-Time-Toll transactions and reduce manual reviews and licensing.
Joyce Hill	Mobile App Enhancements	\$32,000	\$16,000	Deploy Spanish version; facilitate download of vehicle plate photo into patron account; send push notifications; enable iPad landscape view.
Joyce Hill	Website Patron Enhancements	\$26,000	\$13,000	Enable statement sort by vehicle and/or tag; provide specific transaction receipt; allow viewing of closed account; enable statement export into Excel.
Joyce Hill	Customer Service System Enhancements	\$26,000	\$13,000	Improve transponder inventory; expand electronic billing to other agencies (similar to SFO).
Joyce Hill	System Security Enhancements	\$21,000	\$10,000	Add security group for privacy purge bypass status; enable instant password reset through online security questions.
Joyce Hill	CPN Upgrade	\$37,000	\$18,000	Support One-Time-Toll payments. Both 3M and Blackstone effort.
Joyce Hill	Transponder Retail Distribution	\$47,000	\$23,000	Expand retail distribution of transponders to two new outlets.
Joyce Hill	Customer Incentives	\$16,000	\$8,000	Support expanded marketing programs.
Joyce Hill	One-Time-Toll System Enhancements	\$32,000	\$16,000	Add vehicle plate validation to provide customer opportunity to correct entered plate as necessary; auto-populate account enrollment from completed One-Time-Toll form.
Joyce Hill	Automatic Express Account Invoice Payment	\$5,000	\$3,000	Automatically charge credit card listed on invoice account.
Joyce Hill	Website Marketing Enhancements	\$16,000	\$8,000	Support ad hoc look and feel changes.
J. Gallagher	Server Replacements (5th phase)	\$54,000	\$26,000	Fifth year of six-year plan to replace Toll system servers.

Toll Operations (continued)				
Staff	Project Initiative	F/ETCA Project Budget	SJHTCA Project Budget	Project Scope
J. Gallagher	Plaza Reuse Study	\$100,000	\$50,000	Basic inventory & feasibility analysis for repurposing toll plaza acreage.
J. Gallagher	SR73 Wireless Master Plan	N/A	\$22,000	To develop a master plan and program for cellular service on the SR73.
J. Gallagher	SR241 North to SR91 Channelization	\$62,000	N/A	Design, permitting and installation, and related enforcement work for a standard channelize traffic scheme along the appropriate portion of the SR 241 North to improve the flow of traffic moving to the SR91 East.
K. Machtolf	Pacifica Building HVAC modernization project	\$761,000	N/A	Modernize HVAC equipment and control systems to meet or exceed current energy efficiency standards.
Communications & Public Affairs				
Lisa Ganz	Marketing – Post AET Implementation	\$1,372,000	\$676,000	Phase III will focus on toll road benefits and beating the high traffic and revenue growth in FY14. Goals: Increase revenue by generating more transactions and increase FasTrak and Express Accounts over the prior year through paid media, tourism and Latino outreach and quarterly promotions.
Lisa Ganz	Quarterly Marketing Promotions	\$0	\$0	Four promotions are scheduled to build ridership and revenue. Initial incentives will be deducted from revenue and accounts will be traced to determine ROI and program success.
Lisa Ganz	Website Initiatives	\$107,000	\$53,000	Continued adjustment to website based on usage patterns and to expand customer information regarding AET changes; reprogramming the Content Management System and review of secondary pages for priority and implementation; implementation of a toll rate calculator. RelieveTraffic.org updates.
Lisa Telles	FasTrak Loyalty Program	\$67,000	\$33,000	After completion of feasibility study the recommendations will be made to the Board of Directors for implementation of the first phase of a FasTrak loyalty program with the purpose of increasing the value of having a FasTrak account, transactions and revenue
Lisa Telles	TCA Public Opinion Survey/Environmental Survey	\$98,000	\$42,000	Conduct a benchmark survey that will address general awareness and attitudes about TCA and awareness of TCA's environmental programs. Budget includes focus groups or stakeholder interviews
Lisa Telles	SR 241 Tesoro Extension Outreach	\$342,000	N/A	Outreach as required by the environmental process – Water Board actions, Federal Environmental Process and others if needed. Includes paid advertising, outreach, public meeting support and costs associated with public meetings.



**Communications & Public Affairs (continued)**

<b>Staff</b>	<b>Project Initiative</b>	<b>F/ETCA Project Budget</b>	<b>SJHTCA Project Budget</b>	<b>Project Scope</b>
Lisa Telles	Expanded Environmental PR and Outreach	\$65,000	\$16,700	Program will increase awareness of TCA's award-winning environmental programs.
Lisa Telles	241/91 Connector Outreach	\$40,000	N/A	Outreach as required by the environmental process for the 241/91 Connector
Lisa Telles	Regional Coalition	\$12,000 + website	\$0	Build a diverse list of interest and support for TCA and its initiatives; provide relevant information about traffic, the economy and the environment as it relates to improving mobility in the region through <a href="http://relievetraffic.org">relievetraffic.org</a> .
Lori Olin	Customer Email Program	\$21,000	\$9,000	Implement plan to provide information to FasTrak and ExpressAccount customers via email utilizing and outside vendor to push out email efficiently.
Barbie Daly	Federal Advocacy Program	\$351,000	\$24,000	Akin Gump and Nossaman. Legislator, administration, regulatory education, environmental streamlining, TIFIA, tracking the transportation bill.
Barbie Daly	State Advocacy Program	\$308,000	\$63,000	Primary state lobbying efforts. Includes legislator,, administration and regulatory education and relationships, tracking bills that could impact TCA business operations or ability to complete mission.

**Finance, Administration & IT**

Amy Potter	SJHTCA Bond Refinance	N/A	\$745,000	Appointment of an investment banking team and execution of other financial contracts will allow for the development of a refinance plan for the SJHTCA bonds. Due to the favorable current bond market, the agency has an opportunity to create a long term sustainable debt structure that will remove bond indenture constraints introduced in 2011, thereby restoring Board control over the toll rate setting process and discretion over the use of available cash flow. These steps will provide the agency with flexibility to further improve regional mobility and increase traffic on the SJHTCA toll system.
Howard Mallen/John Claudi-Magnussen/Jeff Bond	Operational and Financial Support Enhancements	\$80,000	\$45,000	Consulting services to develop roadmap for operational and financial support enhancements. Roadmap recommendations may include financial & operational planning system upgrades as well as dashboard, financial, & operational reporting enhancements. Includes \$75,000 for potential upgrade of existing accounting system.

**Finance, Administration & IT (continued)**

Staff	Project Initiative	F/ETCA Project Budget	SJHTCA Project Budget	Project Scope
Amy Potter/ Howard Mallen	Investment Advisory Services	\$0	\$0	Agencies are contemplating switching investment strategy from the current, in house, "hold to maturity" strategy to an "active investment management" strategy. Consultant would advise and recommend investment strategies that will enhance portfolio performance either through a strategic advisement consulting contract or through nondiscretionary investment advisory services. Reporting and treasury management systems will also be considered as part of the consultant services. Cost estimate of these services is not included at this time. There is potential for improved investment earnings that could offset or exceed the associated costs. Staff will return to the Board of Directors when more information is available.
Amy Potter/Howard Mallen	Long-Term Financial Planning	\$0	\$0	Development of improvements to long-term financial planning modeling to enhance the Agencies' abilities in regards to evaluating cash flow and capital projects. No project cost at this time as the expectation is that the effort will be focused on allocating substantial staff time to this project.
Greg Walker	Business Continuity Planning Advisory Services	\$38,000	\$38,000	Although the Agencies have many disaster recovery and emergency operations policies and procedures, they do not have a comprehensive business continuity plan that addresses longer term operation under disaster and/or emergency situations. The business continuity planning advisory services will provide expertise and facilitation in developing a comprehensive business continuity plan for the Agencies. Existing documentation and past planning efforts will be leveraged to the extent possible.
Greg Walker	GIS Map Project for Development Impact Fees	\$25,000	\$25,000	Through a combination of TCA Engineering map files and contracting with a third-party, develop a GIS mapping system for the public website that displays TCA's Development Impact Fee Areas of Benefit. This will allow member agencies, members of the public and TCA staff to identify project locations in the Areas of Benefit by project address.
Jeff Bond	Email Server Business Continuity/Redundancy	\$12,000	\$5,000	Hardware: Establish fault tolerance and site redundancy for agency exchange e-Mail system by adding a second server to replicate and load balance all mail databases to a new system at secondary agency data center.
Jeff Bond	Virtual Host Business Continuity/Redundancy	\$12,000	\$5,000	Hardware: Add new virtual hosting hardware at secondary data center to support hosting a set of redundant finance virtual servers providing needed site redundancy.
Sherri McKaig/Dave Sherwood	ADP Human Resources and Payroll tools	\$0	\$0	Reassessment and implementation of available tools, including those that provide for employee access to HR and payroll forms and for more efficient time reporting and approval. No additional external costs are anticipated.